



News Release

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Economic Activity for Large Employers Gains Ground, Business Sentiment Moves Higher

Iowa Business Council Releases Third Quarter Results

DES MOINES, IOWA – (September 1, 2009) For the second consecutive quarter, all three indicators used to measure economic activity among the largest employers in the state for the coming six months moved higher, raising the **2009Q3 Iowa Business Council (IBC) Overall Economic Outlook Survey Index (OSI) to 48.7**. This is 10.4 points higher than the 2009Q2 Overall OSI of 38.3 reported in June, but 14.6 points lower than the Overall OSI of 63.3 from one year ago. The IBC Economic Outlook Survey was completed by the 20 corporate members of the Iowa Business Council during the third week of August, the results of which were released today.

The **2009Q3 Sales OSI is 54**, ten points higher than last quarter and nine points lower than in the 2008Q3 survey. Seventy percent of the CEOs predict increased or steady business activity over the next six months – substantially higher (5%), higher (40%), or no change (25%). However, thirty percent of the survey respondents expect sales levels to decrease – lower (25%) or substantially lower (5%).

The **2009Q3 Capital Spending OSI is 49**, an increase of 16 points from last quarter and 16 points lower than one year ago. Eighty percent of the IBC corporate members expect capital spending levels to be substantially higher (5%), higher (10%), or remain the same (65%) through February of 2010. Only twenty percent of the survey respondents expect capital spending – investments in facilities and equipment – to be lower (10%) or substantially lower (10%).

The **2009Q3 Employment OSI is 43**, five points higher than three months ago and 19 points lower than last year. Sixty percent of the IBC corporate members expect hiring needs to be higher (15%) or the same (45%) for the next six months, while forty percent expect lower (35%) or substantially lower (5%) employment levels.

“Though the overall survey is still expressing a reserved business sentiment for the coming six months, it’s encouraging to see each economic activity indicator move higher for the second consecutive quarter,” said Mel Haught, president and CEO of Pella Corporation and chair of the Iowa Business Council. “A sustained upward trend in sales, the OSI for which is in positive sentiment territory for the first time in three quarters, will eventually give business owners

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confidence that the economy and their industries have begun the recovery process. In the meantime, the Iowa Business Council will continue to support policy initiatives that mitigate competitive weaknesses or leverage advantages pertaining to innovative research, commercialization, business expansion, and the attraction of a highly skilled and educated workforce.”

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 2009Q3 Survey Responses

Quarter	Substantially Higher		Higher		No Change		Lower		Substantially Lower	
	09Q3	09Q2	09Q3	09Q2	09Q3	09Q2	09Q3	09Q2	09Q3	09Q2
Change in sales in the next six months?	5%	5%	40%	20%	25%	35%	25%	25%	5%	15%
Change in capital spending in the next six months?	5%	5%	10%	5%	65%	25%	10%	45%	10%	20%
Change in employment in the next six months?	0%	0%	15%	10%	45%	40%	35%	40%	5%	10%

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

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

	<u>09Q3</u>	<u>09Q2</u>	<u>09Q1</u>	<u>08Q4</u>	<u>08Q3</u>	<u>08Q2</u>	<u>08Q1</u>	<u>07Q4</u>	<u>07Q3</u>
OVERALL OSI	48.7	38.3	35.3	43.3	63.3	64.3	66.3	66.3	64.7
Sales OSI	54	44	38	51	63	71	73	68	69
Capital Spending OSI	49	33	31	41	65	66	63	71	65
Employment OSI	43	38	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 24 members are the top executives of 20 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 210,000 Iowans and, in just the last 10 years, have invested over \$15 billion worth of capital in the state. **Annually**, the Business Council represents more than \$300 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 \$3.0 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