



# News Release

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## Iowa Business Leaders Expect a Strong Start to the New Year

### *Iowa Business Council Releases Fourth Quarter Results; Survey Index Rises Overall*

Des Moines, IOWA – (December 3, 2007) – Increased levels of capital spending projected for the coming six months has moved the **Iowa Business Council (IBC) Economic Outlook Survey Index (OSI)** from 64.7 to 66.3, which is 1.6 points higher than three months ago. The survey was completed by nineteen corporate members of the Business Council during the third week of November, the results of which were released today.

For the fourth quarter in a row, all survey respondents expect their operations to maintain or increase sales volumes. However, responses for higher sales levels dipped slightly, dropping the **2007Q4 Sales OSI** to 68, one point lower than the 2007Q3 Sales OSI of 69.

All but 5 % of the Business Council CEOs expect to maintain or increase capital spending, with 79% of those foreseeing “higher” or “substantially higher” levels. This is a 24% improvement over last quarter and moves the **2007Q4 Capital Spending OSI** to 71, an increase of 6 points from the previous quarter’s Capital Spending OSI of 65.

While 95% of IBC corporate members say they will maintain or increase hiring, 5% predict lower employment levels. The **2007Q4 Employment OSI** remained steady at 60, reflecting a cautious optimism for hiring needs that Iowa employers have sustained for the past six months.

“These new survey numbers indicate a generally positive attitude among Iowa’s largest employers,” said Max Phillips, IBC chair and president of Qwest-Iowa. “The pace of business in other parts of the country may be slowing down somewhat, but at this moment the resiliency of Iowa’s strong, diverse economy is paying dividends. The immediate challenge our state faces is marshalling the necessary public and private sector resources to produce effective workforce development initiatives. At the same time, greater administrative efficiencies and a seamless, standardized curriculum must be instituted within our pre-K thru 16 school system. Iowa possesses a tremendous advantage as a Right-to-Work state with quality workers in high-tech, knowledge-intensive manufacturing and service sectors. Maintaining that comparative advantage in the face of stiff global competition requires graduates who can master key skills related to reading, writing, problem solving, and understanding math and science. However, the American College Testing Program rates these skill sets as substandard in nearly half of the

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students applying for college today. The cost to society and business for this academic deficiency is high, as over 40% of college students nationwide take at least one remedial class at an estimated cost to taxpayers of \$1 billion. Fully 40% of the nation’s high school graduates bring the same inadequate skills to jobs, which forces business to spend billions on remedial education for employees beyond normal training expenses. Traditionally, the education system in Iowa has shined as a consistent producer of highly skilled and motivated employees. To maintain our rank and reputation in this area, it is essential that innovative steps be taken now by leaders in business, education, and government to provide our children --- the state’s future --- with the best chance to succeed in school and the freedom to secure meaningful, long-term careers of their choosing within Iowa’s competitive, vibrant economy.”

The quarterly Iowa Business Council Economic Outlook Survey has recently been expanded to allow for more response options and incorporate a diffusion calculation, much like that employed by international financial institutions in similar survey reports. A diffusion index is a weighted average wherein each survey response falls on a 1-100 scale that ultimately measures the sentiment of IBC executives projecting business activity six months into the future. An Outlook Survey Index (OSI) of fifty (50) indicates that the business sentiment of all survey participants is average; above fifty, the sentiment is positive; and, below fifty, the sentiment is negative. This index is expected to generate a numeric measure going forward that more effectively estimates the economic condition of business in Iowa.

### IBC Economic Outlook 2007Q4 Survey Responses

Quarter	Substantially Higher		Higher		No Change		Lower		Substantially Lower	
	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3
<b>Change in sales in the next six months?</b>	<b>5%</b>	5%	<b>63%</b>	65%	<b>32%</b>	30%	<b>0%</b>	0%	<b>0%</b>	0%
<b>Change in capital spending in the next six months?</b>	<b>11%</b>	10%	<b>68%</b>	45%	<b>16%</b>	40%	<b>5%</b>	5%	<b>0%</b>	0%
<b>Change in employment in the next six months?</b>	<b>0%</b>	0%	<b>42%</b>	45%	<b>53%</b>	45%	<b>5%</b>	10%	<b>0%</b>	0%



### IBC Economic Outlook Survey Index (OSI)

	<u>07Q4</u>	<u>07Q3</u>
<b>OVERALL OSI</b> . . . . .	<b>66.3</b>	<b>64.7</b>
Sales OSI . . . . .	68	69
Capital Spending OSI . . . . .	71	65
Employment OSI . . . . .	60	60

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

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

Founded in 1985, the Iowa Business Council is a non-profit, non-partisan, self-funded organization whose members include the top executives of 20 of the largest businesses in the state, the three Regent university presidents, and the president and CEO of the Iowa's largest banking association. The purpose of the Council is to engage the personal commitment of these members in active leadership roles on major initiatives that offer opportunity to enhance Iowa's overall economic vitality. **Collectively**, IBC companies and institutions employ more than 203,000 Iowans and, in just the last ten 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 members are leaders in technology innovation with over \$2.1 billion in spending and procured grants for research and development. For more information, please visit the IBC Web site at [www.iowabusinesscouncil.org](http://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