



News Release

Contacts:

Marisol Molstre
m.molstre@essmanassociates.com
Phone: (515) 282-7145

Denise Essman
d.essman@essmanassociates.com
Phone: (515) 282-7145

Economic Activity for Large Employers Slows, Overall Business Sentiment is Less Positive

Iowa Business Council Releases Fourth Quarter Results

DES MOINES, IOWA – (December 1, 2008) Reflecting the difficult business climate facing Iowa companies at the end of 2008, all three indicators used to measure economic activity among large employers in the state for the coming six months moved significantly lower, dropping the **2008Q4 Iowa Business Council (IBC) Overall Economic Outlook Survey Index (OSI)** to **43.3**. This is twenty points lower than the 2008Q3 Overall OSI of 63.3 reported in September, and also 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 second and third weeks of November, the results of which were released today.

The **2008Q4 Sales OSI** is **51**, twelve points lower (63) than last quarter and seventeen points lower (68) than in the 2007Q4 survey. The majority of survey respondents (63%) expect increasing or steady sales levels – substantially higher (5%), higher (37%), no change (21%) – over the next six months. However, 37% of the CEOs are more cautious about business activity, predicting sales levels that are lower (26%) or substantially lower (11%).

The **2008Q4 Capital Spending OSI** is **41**, a decrease of twenty-four points (65) from projected last quarter and thirty points lower (71) than one year ago. Forty-eight percent of IBC corporate members expect capital spending levels to be substantially higher (11%), higher (11%), or remain the same (26%) through May of 2009. However, more than half of the survey respondents (53%) expect investments in facilities and equipment to be lower (37%) or substantially lower (16%). (Note: rounding may cause the addition of percentages to equal more or less than 100%.)

The **2008Q4 Employment OSI** is **38**, twenty-four points lower (62) than three months ago and twenty-two points lower (60) than last year. While slightly more than half (53%) of IBC corporate members expect employment levels to be higher (11%) or remain steady (42%) for the next six months, the remainder foresee lower (37%) or substantially lower (11%) hiring needs.

“Through the third quarter of 2008, Iowa’s well-managed companies and productive workforce have, in most instances, been able to sufficiently navigate the turbulent national and world markets,” said Max Phillips, IBC chair and president of Qwest-Iowa & South Dakota.

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“However, as many of the products and services produced in Iowa are exported across state lines and international borders, the effects of a sustained global economic downturn are beginning to be reflected in the key Economic Outlook Survey indicators reported by IBC member companies. As these index numbers look ahead only six months, the Business Council is hopeful that the second half of 2009 will bring a stabilization of negative trends and mark the beginning of a strong rebound for sales, capital investment, and employment in Iowa.”

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 2008Q4 Survey Responses

Quarter	Substantially Higher		Higher		No Change		Lower		Substantially Lower	
	08Q4	08Q3	08Q4	08Q3	08Q4	08Q3	08Q4	08Q3	08Q4	08Q3
Change in sales in the next six months?	5%	16%	37%	42%	21%	16%	26%	26%	11%	0%
Change in capital spending in the next six months?	11%	11%	11%	42%	26%	37%	37%	11%	16%	0%
Change in employment in the next six months?	0%	0%	11%	53%	42%	37%	37%	11%	11%	0%

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

IBC Economic Outlook Survey Index (OSI) – five quarters

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

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

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Iowa **Business** Council

100 East Grand Avenue, Suite 160, Des Moines, Iowa 50309

Phone: 515-246-1700

Fax: 515-246-1701

E-mail: ibc@iowabusinesscouncil.org

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 \$2.1 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