

Charlotte Business Confidence Index

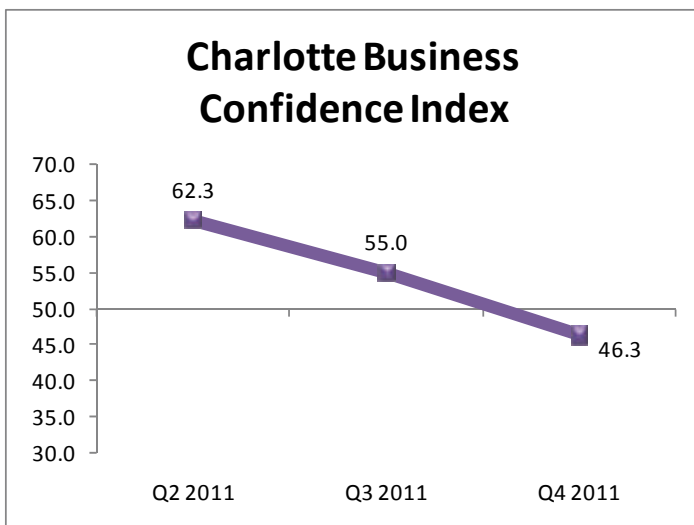
4th Quarter Confidence Continues Downward Slide

The Charlotte Business Confidence Index is derived from a six-question survey asking business leaders their opinions about expectations for the upcoming quarter as it pertains to the national and local economy, as well as company sales, profits, hiring plans, and capital expenditures. An index value that ranges from 0 to 100 is calculated for each question, with an index value above 50 indicating expansion or positive outlook, and values below 50 indicating contraction or negative outlook. The Charlotte Business Confidence Index is a composite of the six questions with equal weighting, and is represented with the same 0 to 100 scale.

Overall, Mecklenburg County business leaders' optimism for the upcoming fourth quarter 2011 diminished when compared to their expectations at a similar point in time prior to the beginning of the third quarter. As the table to the right shows, all of the fourth quarter index values posted a decline, with the largest declines in national and local economic outlook. Business leaders responding to the survey have confidence, albeit small, only in sales and profits for the fourth quarter 2011 as compared to the third quarter, and have a negative outlook on the national and local economy, hiring, and capital expenditures.

2011 Fourth Quarter Outlook Index Values		
		Change From Q3
National Economic Outlook	36.3	-11.4
Local Economic Outlook	40.8	-12.9
Sales Expectations	55.4	-7.4
Profits Expectations	52.5	-6.6
Hiring Expectations	48.3	-6.7
Capital Expenditures Expectations	44.6	-7.1
Charlotte Business Confidence	46.3	-8.7

Index above 50 indicates expansion
Index below 50 indicates contraction

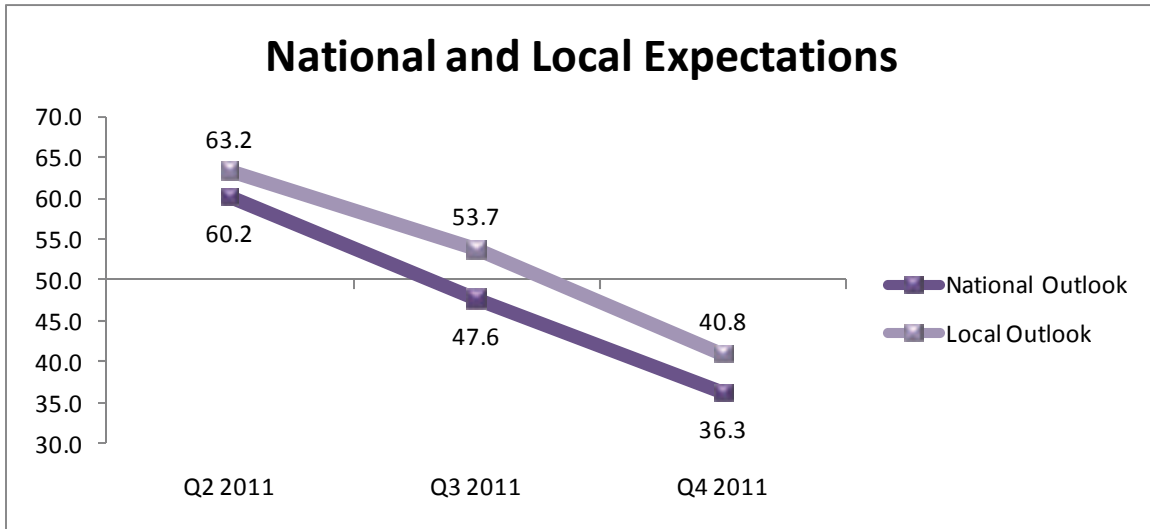


Confidence Index

The fourth quarter Charlotte Business Confidence Index recorded a value of **46.3**. An index value above 50 indicates positive expectations, while values below 50 indicate negative expectations. Mecklenburg County business leaders have a negative outlook on business confidence, with the Charlotte Business Confidence Index below 50 for the first time in the three quarters that the survey has been conducted. The index has declined 16 points since the second quarter when the Confidence Index was 62.3, with a decline of 7.3 points from the second to third quarter and a decline of 8.7 points from the third to the fourth quarter.

National and Local Economy

Mecklenburg County business leaders have a continued negative outlook on the national economy, with a national economic outlook index value of **36.3**. This is the lowest among the six index values and continues a downward trend in confidence in the national economy. Business leaders in Mecklenburg County now have a negative outlook on the local economy, although still higher than national economic expectations, with a local economic index value of **40.8**. This represents the largest decline among all index values, dropping 12.9 points from the third quarter, following a 9.4 point drop from the second to third quarter.

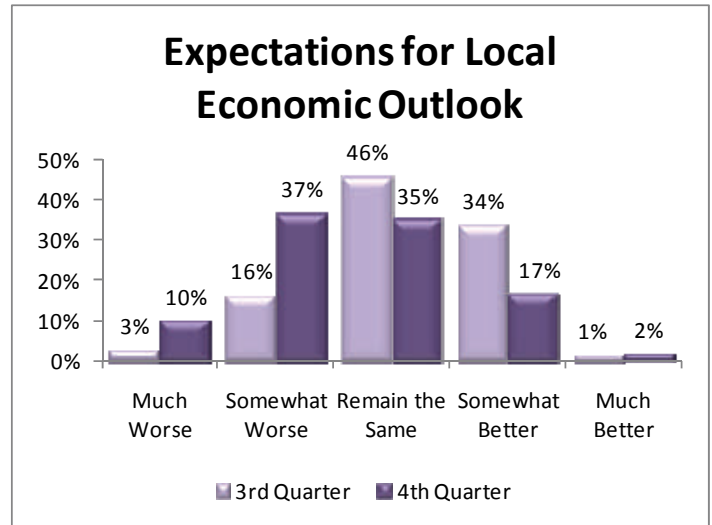
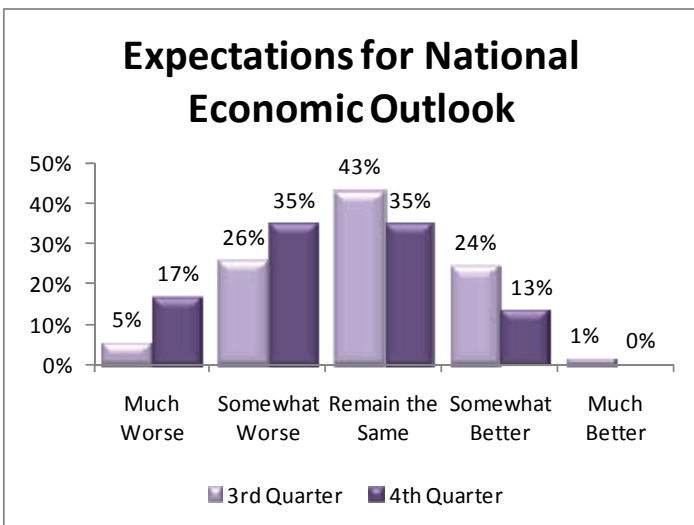


National Economy

Only 13 percent of the business leaders responding to the survey expect the national economy to improve in the fourth quarter compared to the third quarter 2011. Zero respondents expect the national economy to be much better, and 13 percent expect the national economy to be somewhat better. Thirty-five percent of respondents expect the national economy to remain the same in the fourth quarter. Over half (52%) of the business leaders expect the national economy to be worse in the fourth quarter compared to the third quarter 2011. Thirty-five percent expect the national economy to be somewhat worse, and 17 percent expect the national economy to be much worse.

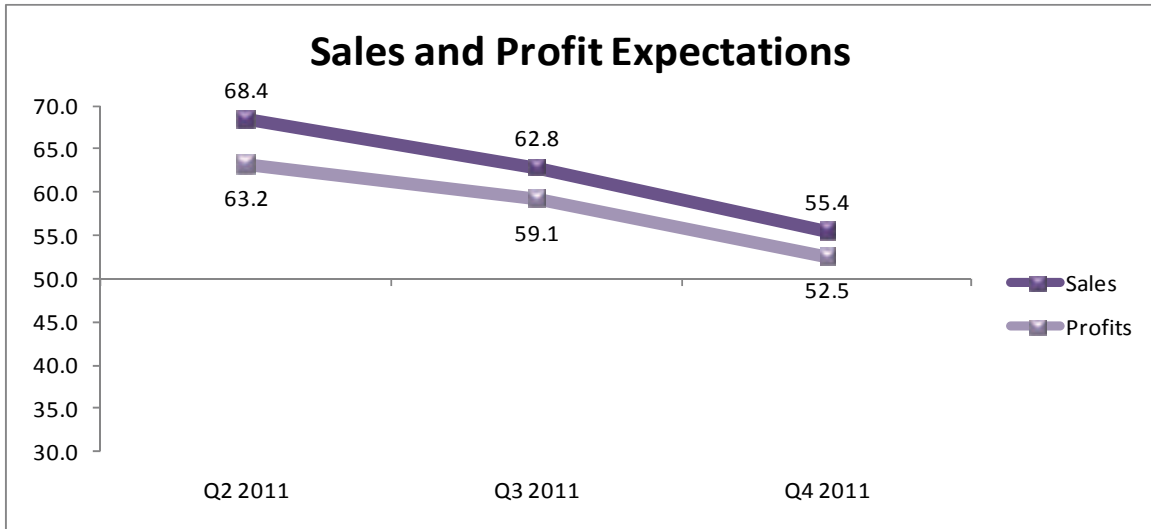
Local Economy

Only 19 percent of business leaders responding to the survey expect the local economy to improve in the fourth quarter compared to the third quarter 2011. Two percent expect the local economy to be much better, and 17 percent expect it to be somewhat better. Thirty-five percent of respondents expect the local economy to remain the same in the fourth quarter. The largest percentage of respondents (37%) expect the local economy to be somewhat worse. The remaining 10 percent of respondents expect the local economy to be much worse.



Sales and Profits

Similar to the second and third quarters, of the six component indices, Mecklenburg County business leaders have the greatest confidence in sales, with a sales index value of **55.4**. Although still positive, the sales index declined 7.4 points from the third to fourth quarter, following a decline of 5.6 points from the second to third quarter. Expectations for profits remain marginally positive, with a profits index value of **52.5**. As with sales, profit expectations continue to diminish as the profit index declined 10.7 points since the second quarter 2011.

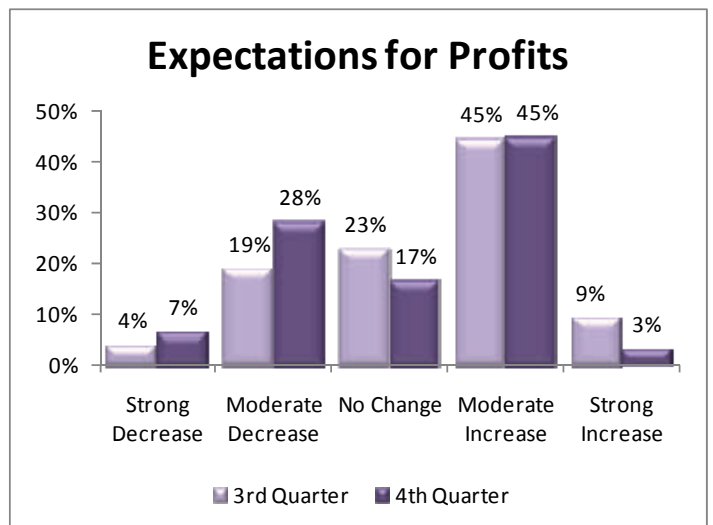
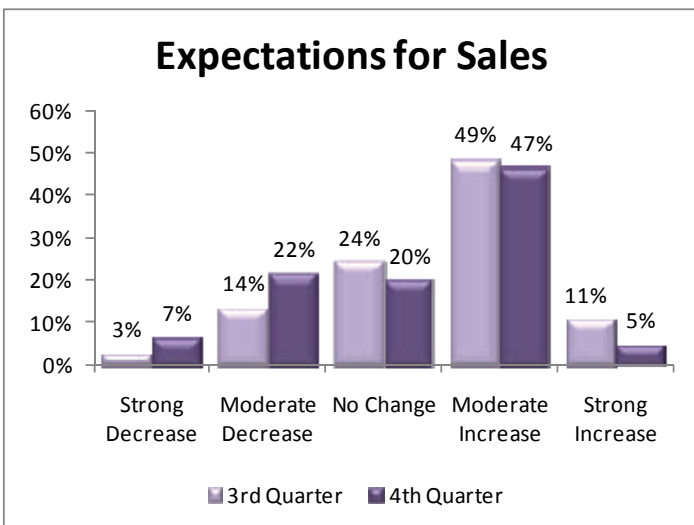


Sales

Businesses are somewhat optimistic with their expectations for sales. Over half (52%) of business leaders responding to the survey expect increases in sales in the fourth quarter compared to the third quarter 2011. Forty-seven percent expect a moderate increase in sales and 5 percent expect a strong increase. A fifth of respondents expect no change in sales, while 22 percent expect a moderate decrease for the fourth quarter. Seven percent of the business leaders expect a strong decrease in sales in the fourth quarter 2011.

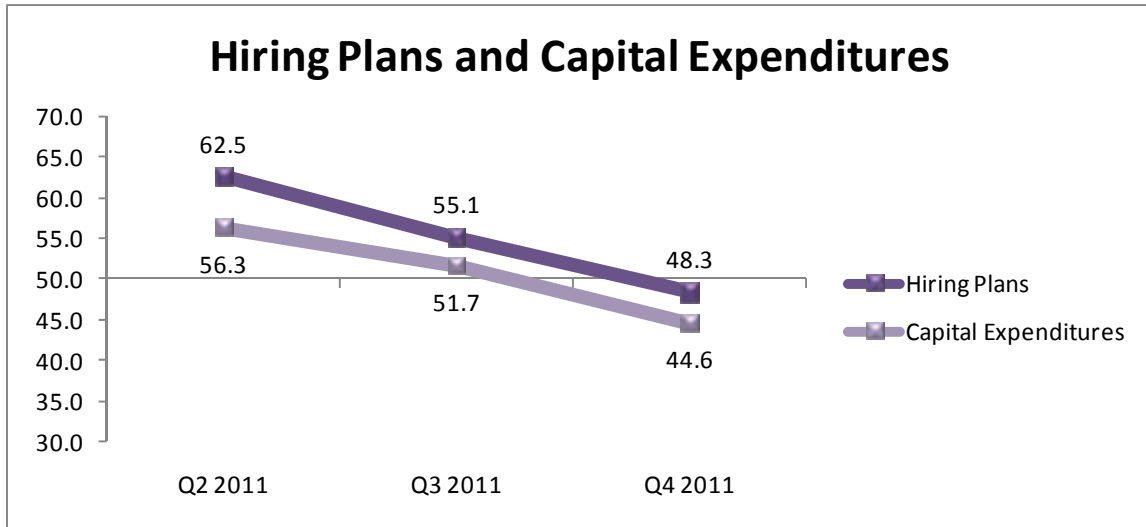
Profits

As with sales, businesses remain somewhat optimistic with their expectations for profits, more so than with hiring plans and capital expenditures. Forty-eight percent of business leaders responding to the survey expect increases in profits for the fourth quarter compared to the third quarter 2011. The majority of them (45%) expect just a moderate increase in profits. An additional 17 percent of respondents expect no change in profits for the fourth quarter. Twenty-eight percent expect profits to decrease moderately and 7 percent expect a strong decrease.



Hiring and Capital Expenditures

Declining another 6.7 points from the third to fourth quarter, business leaders now have a negative outlook on hiring, with a hiring plans index value of **48.3**. The third to fourth quarter decline follows a decline of 7.4 points from the second to third quarter. After a narrowly positive outlook on capital expenditures in the third quarter, Mecklenburg County business leaders expectations dropped below 50 for a negative outlook on fourth quarter capital expenditures, with a capital expenditures index value of **44.6**. The 7.1 point decline from the third to fourth quarter exceeded the 4.6 point decline from the second to third quarter.

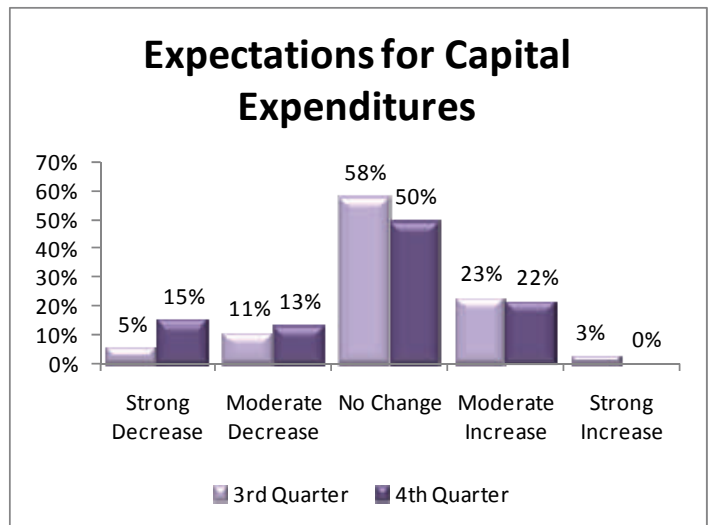
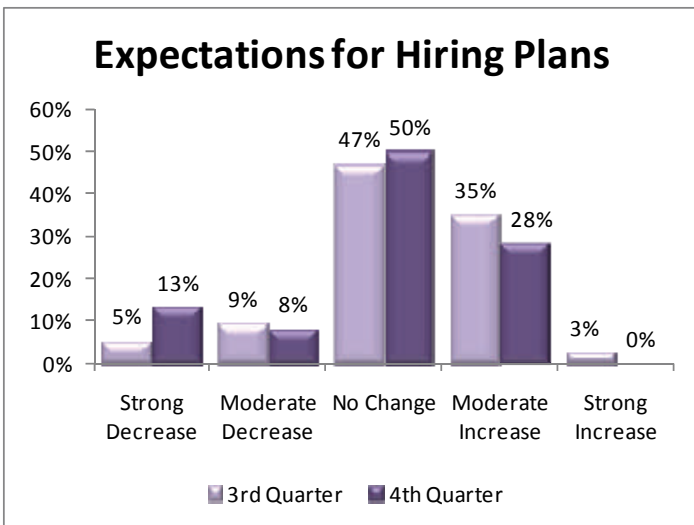


Hiring

Twenty-eight percent of business leaders responding to the survey expect a moderate increase in hiring for the fourth quarter compared to the third quarter 2011, with zero respondents expecting a strong increase. Half of the respondents expect no change in hiring for the fourth quarter. Thirteen percent of business leaders expect a strong decrease in hiring, and 8 percent expect a moderate decrease during the fourth quarter.

Capital Expenditures

Twenty-two percent of business leaders responding to the survey expect a moderate increase in capital expenditures for the fourth quarter compared to the third quarter 2011, with zero respondents expecting a strong increase. Half of the respondents expect no change in capital expenditures for the fourth quarter. Twenty-eight percent of respondents expect a decrease in capital expenditures in the fourth quarter. Fifteen percent expect a strong decrease in capital expenditures and 13 percent expect a moderate decrease.



Respondents

Business leaders who responded to the survey represent the entire range of industries in Mecklenburg County including construction; manufacturing; retail; finance and insurance; professional, scientific, and technical services; and health care and social assistance. Twenty-eight percent of respondents employed fewer than 19 employees, 35 percent employed 20 to 99 employees, and 37 percent employed more than 100. In terms of annual sales, 18 percent had sales of less than \$25 million, 30 percent ranged from \$1 to \$9 million, 25 percent ranged from \$10 to \$99 million, 17 percent had sales of more than \$100 million, and 10 percent were undisclosed.

Respondent Characteristics	
Annual Sales	Percent
Less than \$1 million	18%
\$1 to \$9 million	30%
\$10 to \$99 million	25%
More than \$100 million	17%
Undisclosed	10%
Employment Size	Percent
0 to 19	28%
20 to 99	35%
100 or more	37%

For More Information

The Charlotte Business Confidence Index represents the collaborative efforts of the Charlotte-Mecklenburg Workforce Development Board, the City of Charlotte, and BusinessFirst Charlotte, a collaborative program between the City of Charlotte and the Charlotte Chamber to provide a quarterly, forward-looking indicator of economic activity in Mecklenburg County based on the opinions of local business executives. The UNC Charlotte Urban Institute is conducting the research and analysis. The survey was disseminated to businesses who first registered as participants through the index website (www.ui.uncc.edu/businessconfidence). Registration is open to all businesses in Mecklenburg County. For classification and verification, the registration asks for company information regarding business type, employment size, and revenues. Survey responses are then calculated into an index value ranging from 0 to 100, with 50 as the neutral point. To determine the index values, for each question the percent of responses for each option in the five-part scale is multiplied by a weighting factor to transform the values into a scale that ranges from 0 to 100. The overall index is a composite of all six questions combined with equal weighting and is calculated similarly. The index values represent the opinions of the participants who responded to the survey, constituting just a sample of all business leaders in Mecklenburg County.

If you are interested in registering as a participant in order to receive invitations to complete our quarterly survey, you can do so at www.ui.uncc.edu/businessconfidence. The next survey asking about expectations for first quarter 2012 will be conducted the first two weeks of December.

We would like to thank the 60 business leaders who completed the survey during the first two weeks of September. As the survey expands to include more participants, further analysis is planned to include breakdowns by individual industries and business characteristics, as well as to look at trends over time.



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