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2011 Economic Climate Study



* Background

* Objectives:

- * *To fill a major gap in economic data*

- * Most data in the study is not available for our region...

- * ...or is available after the fact

- * *To measure your attitudes about the future*

- * Based on your responses--not those of an economist

- * *To track and compare regional data over time*

- * 18th Year

* New This Year

* Marcellus Shale

- * Impact on local businesses and communities

* Federal budget crisis

- * Impact on local businesses

* Method

* Mail and Online Questionnaire

- * *40% completed questionnaire online*

- * *Up from 29% last year*

* Population: 772 chamber members

- * *Greater Johnstown/Cambria County*

- * Note: Only 1 non-chamber member responded this year

* Response Rate: 23%

- * *Down slightly from 24% last year*

* Sample = 174

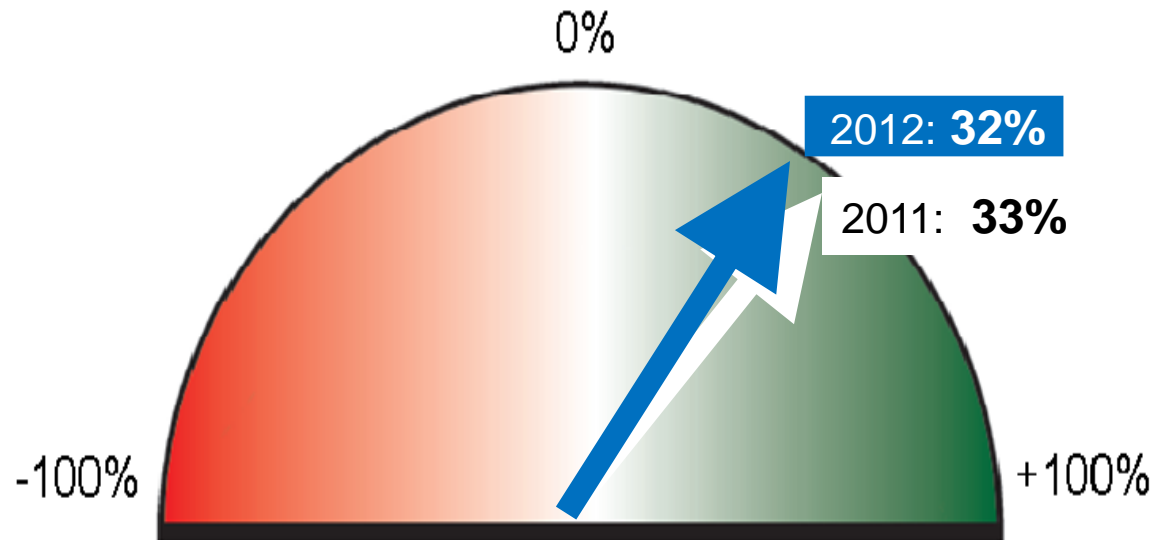
- * *5.1% of all businesses in Cambria County (3,439)*

- * *Sampling error estimate: +/- 7.2%*

* 2012 Revenue Forecast

* 32% project 3%+ growth

* *About the same as last year (33%)*



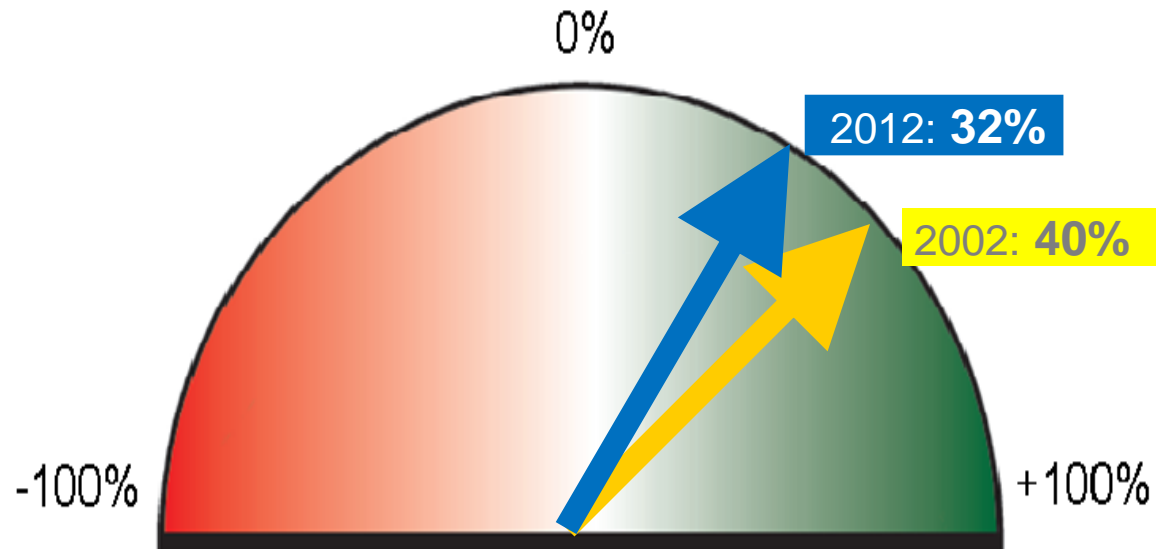
Reality Check:

PA study: 33% project some increase in 2012

* 2012 Revenue Forecast

* Comparison with last recovery:

* *Weaker than 2002 (40%)*

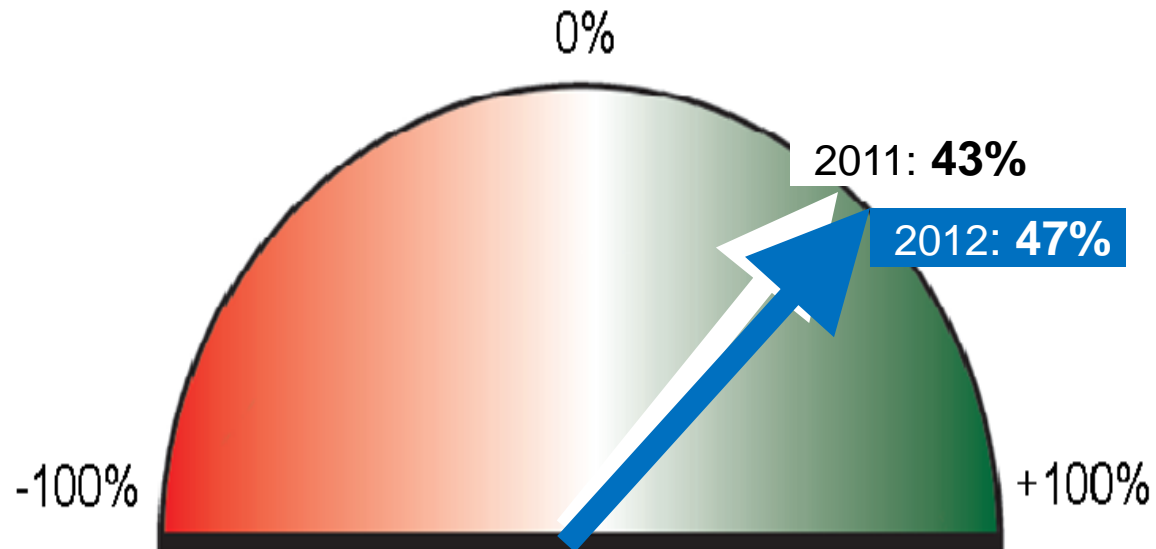


* 2012-14 Revenue Forecast

* 3-year outlook is fairly stable

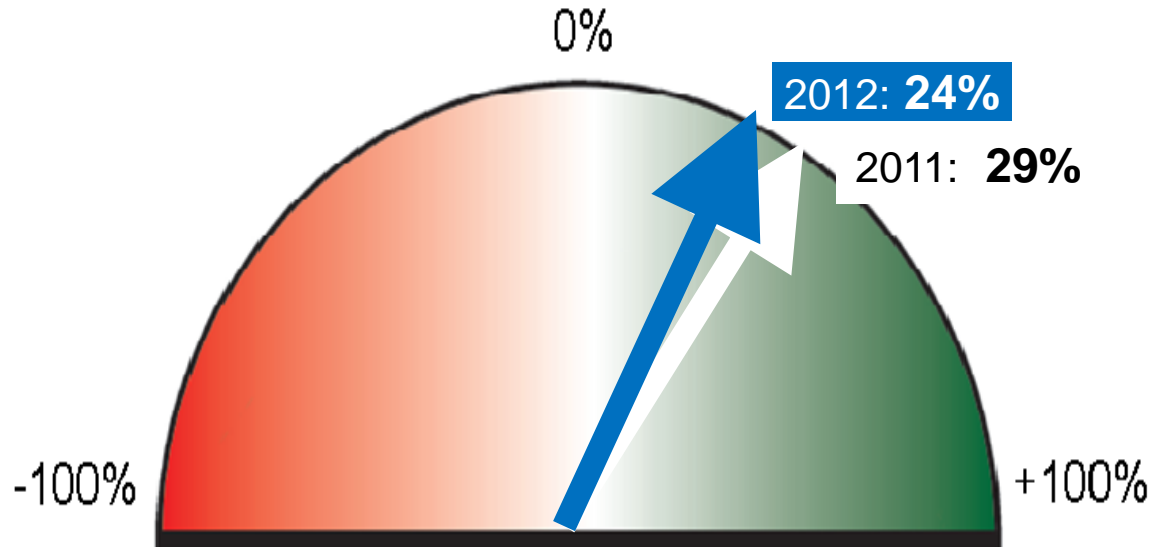
* *47% project 3%+ growth*

* A bit more optimistic than last year (43%)



* 2012 Profit Forecast

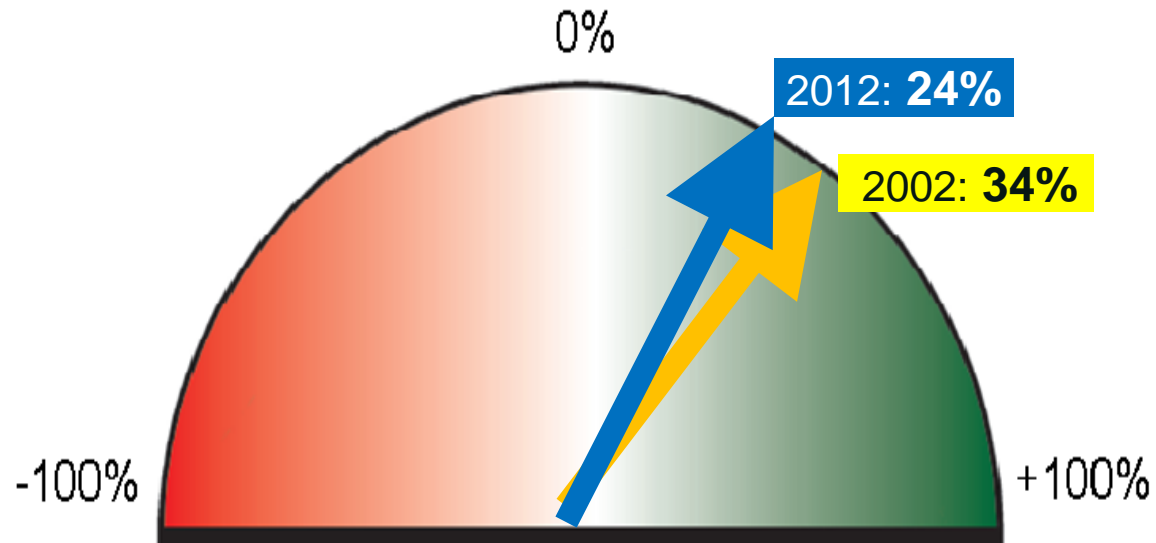
- * 24% project 3%+ growth
 - * *Weaker than last year (29%)*



* 2012 Profit Forecast

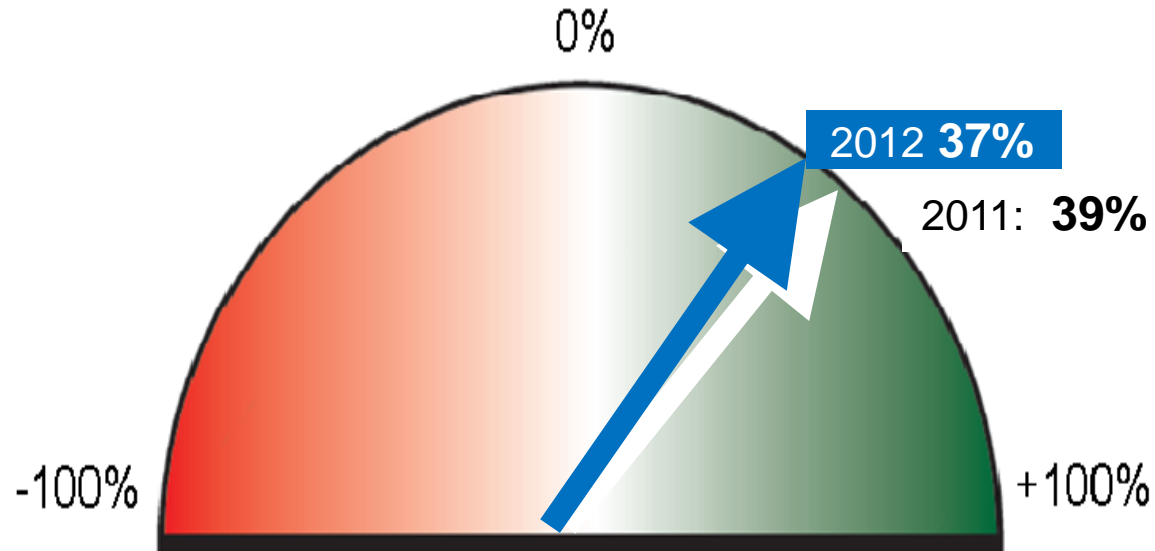
* Comparison with last recovery

* *Weaker than 2002 (34%)*



* 2012-14 Profit Forecast

- * 3-year outlook about the same
 - * *37% project 3%+ growth*
 - * Slightly weaker than last year (39%)

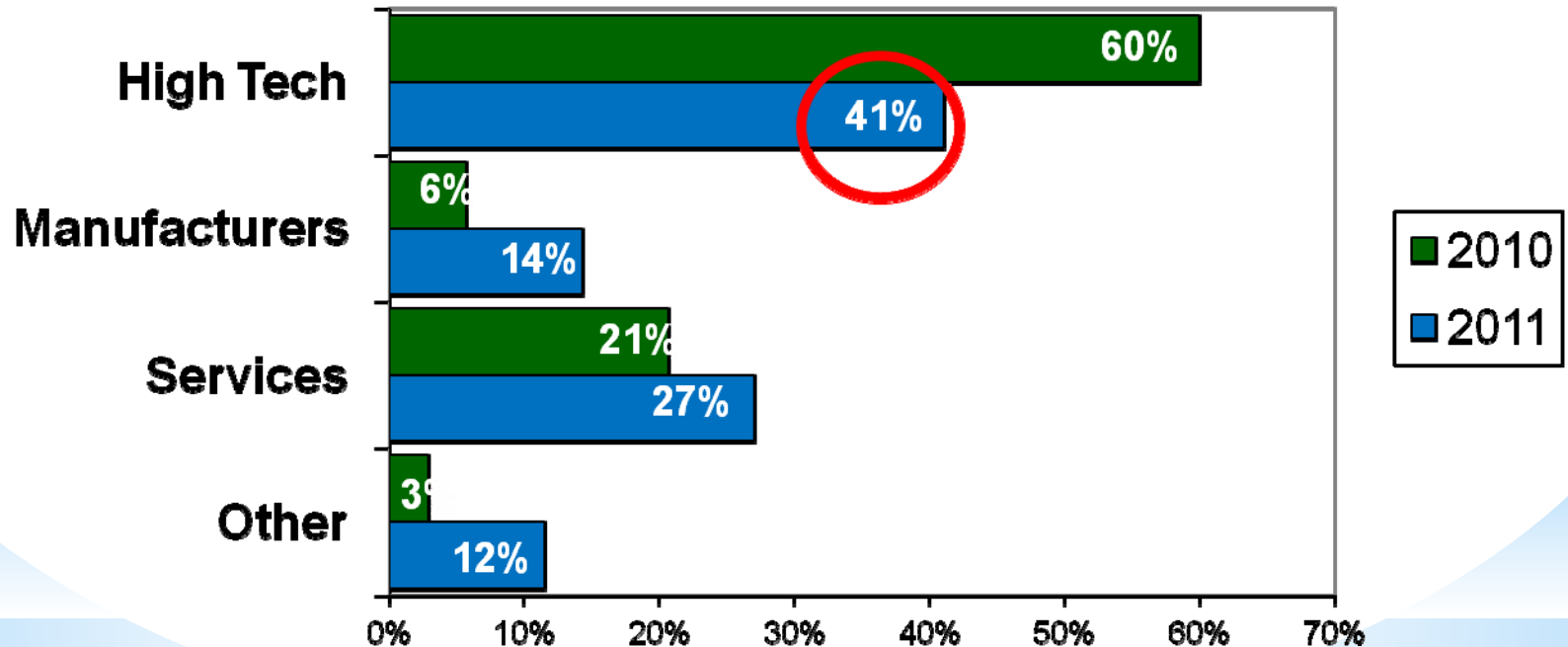


* Profit Forecast by Type of Firm

- * High Tech is most optimistic

Organizations Projecting 3+ Profit Growth

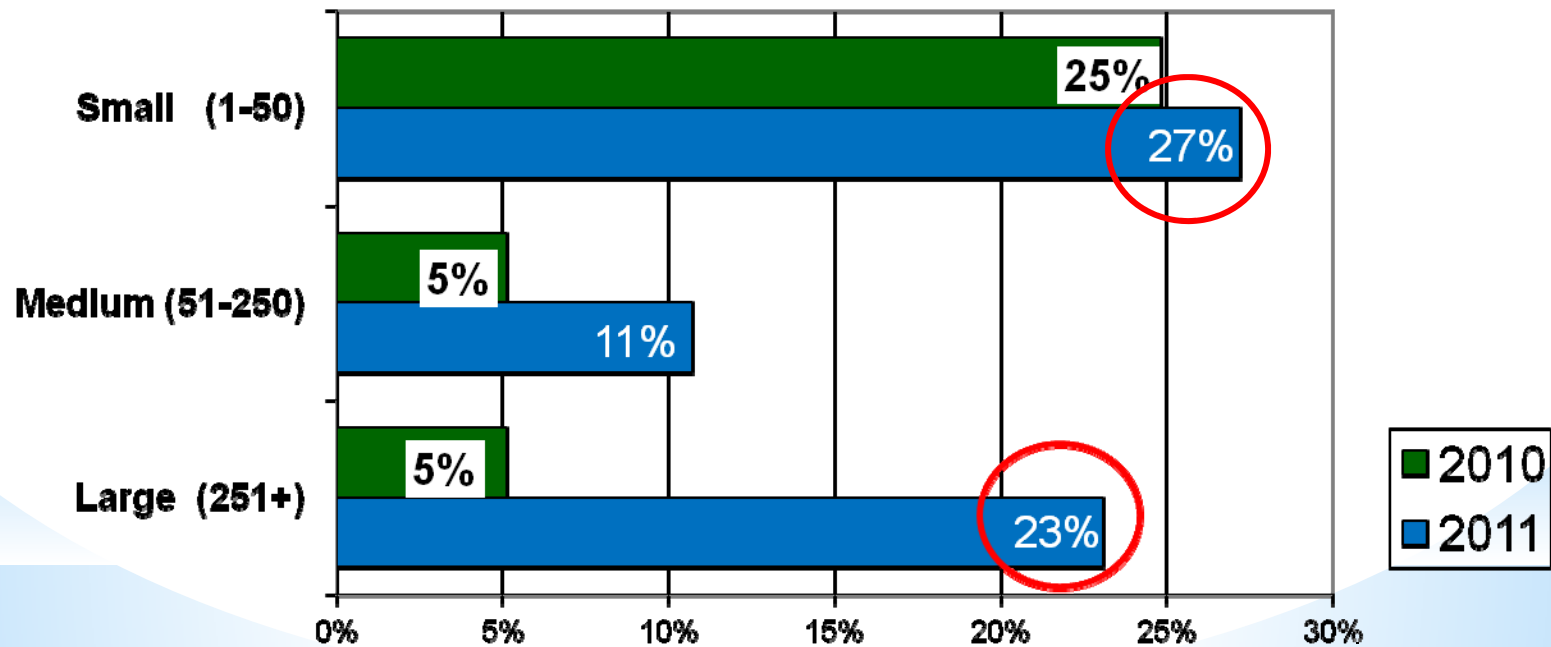
by Type
2011 vs. 2010



* Profit Forecast by Size

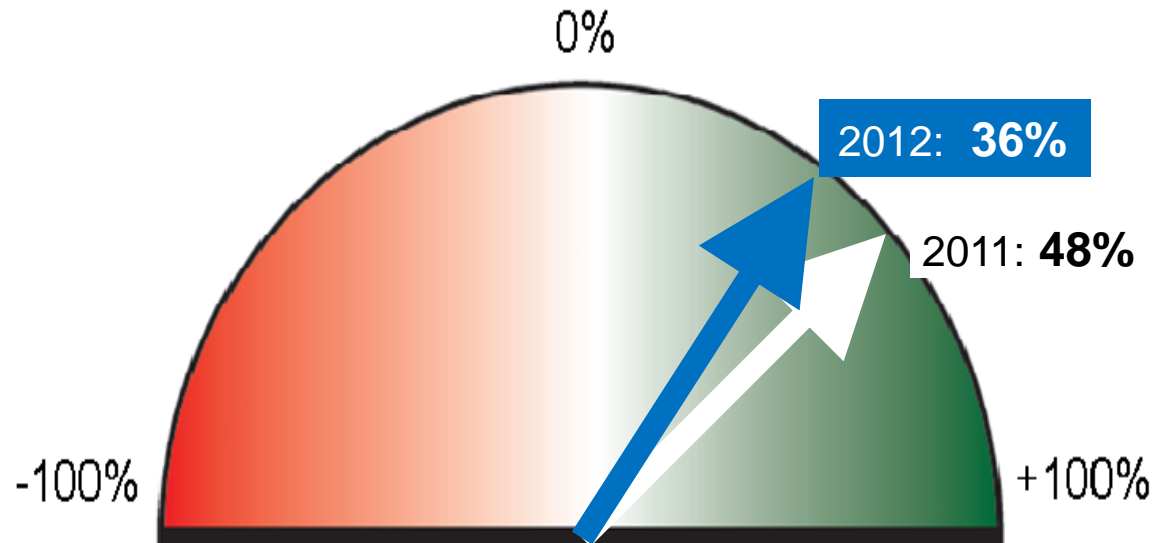
- * All size organizations are more optimistic
 - * *Small—and Large—employers are most optimistic*

Organizations Projecting 3%+ Profit Growth
by Size
2011 vs. 2010



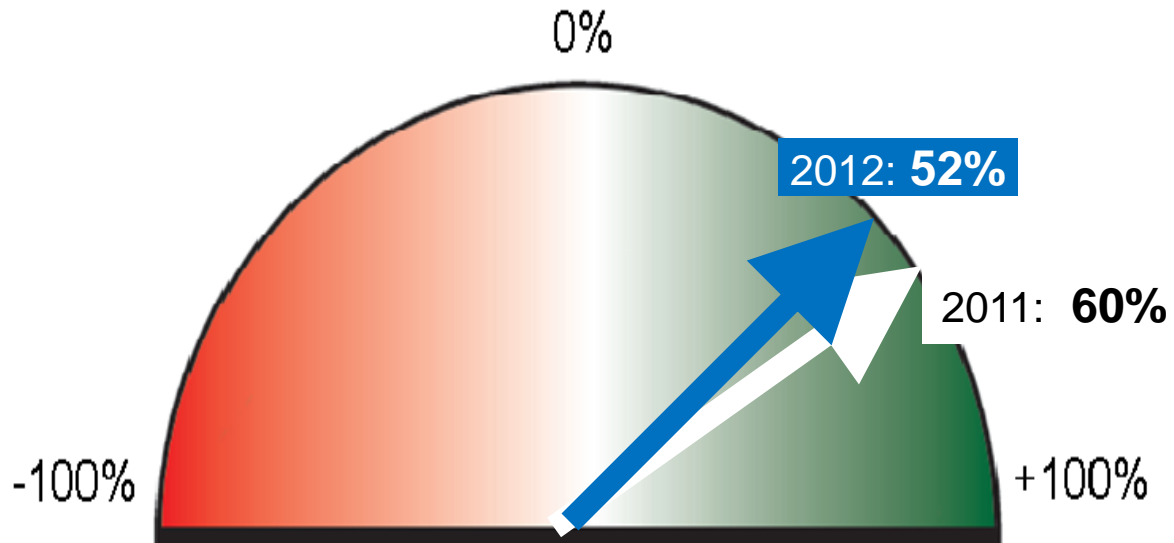
* 2012 Wage Forecast

- * 36% project increases greater than 3%
- * *Down significantly from last year (48%)*



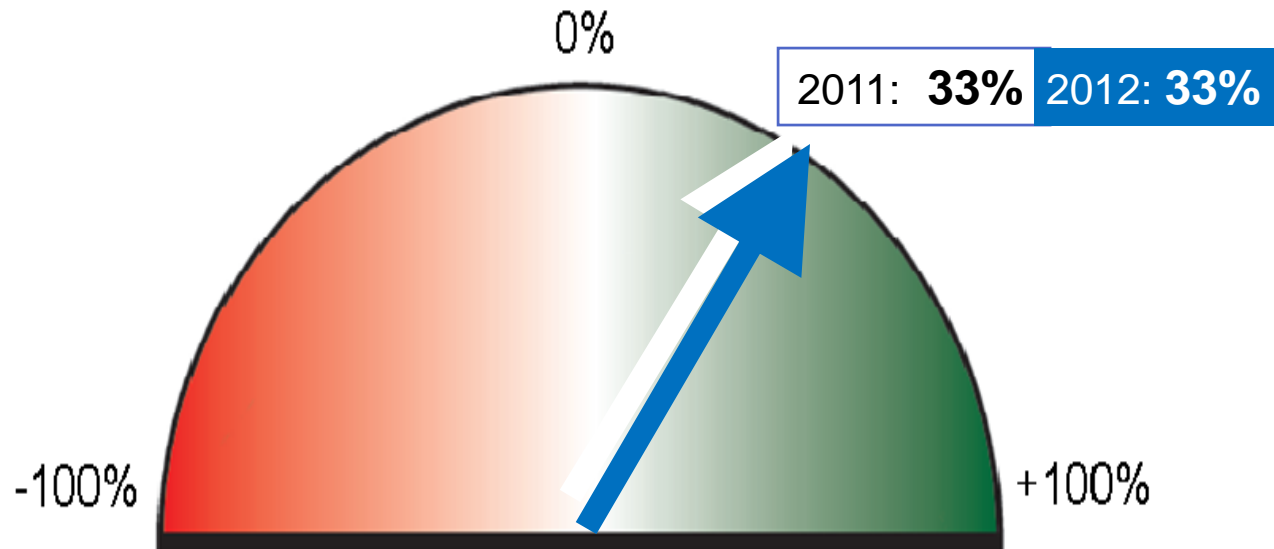
* 2012 Benefits Forecast

- * 52% expect increases greater than 3%
- * *Down from last year (60%)*



* 2012 Capital Spending Forecast

- * 33% plan more spending
 - * *Exactly the same as last year (33%)*



Reality Check

- PA study: 47% plan increased spending in 2012

* 2012 Jobs Forecast

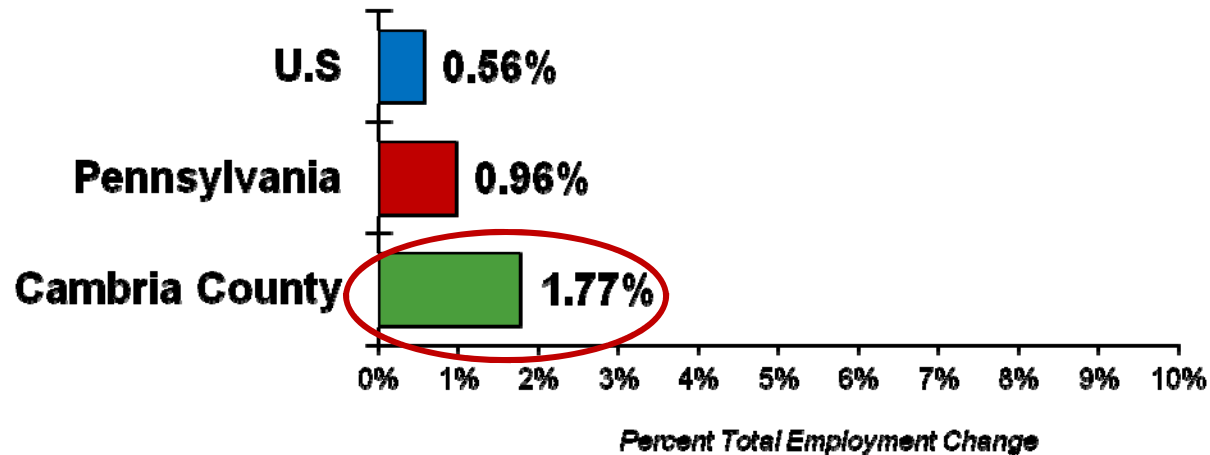
- * We'll look at job growth several ways
 - * *Overall*
 - * *By type of position*
 - * *By industry*
 - * *By type of firm*
 - * *By size of firm*

* 2011 Jobs in Perspective

- * Local growth this year (negative last year)

Employment Growth Comparison

September 2011 vs. September 2010



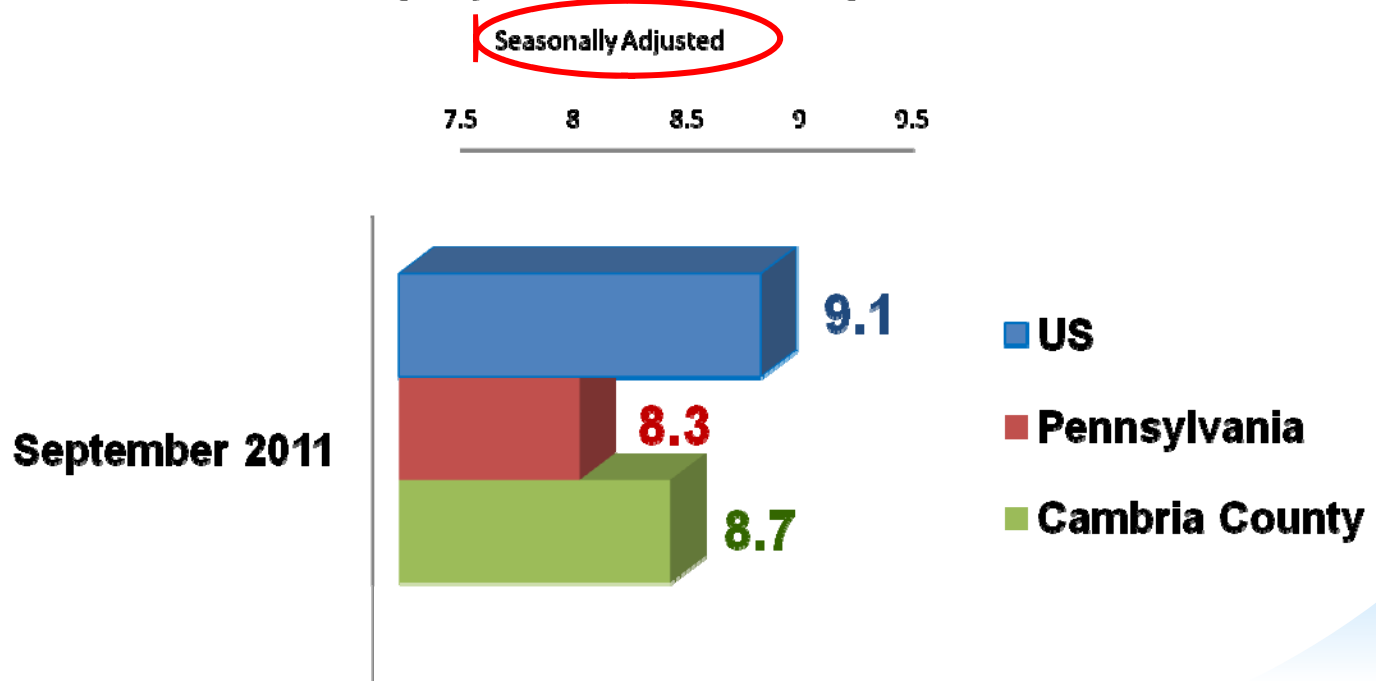
Reality Check

- Our employment rebound leads PA and the U.S.

* 2011 Jobs in Perspective

- * Unemployment rate is lower than the US
 - * *But higher than Pennsylvania*

Unemployment Rate Comparison



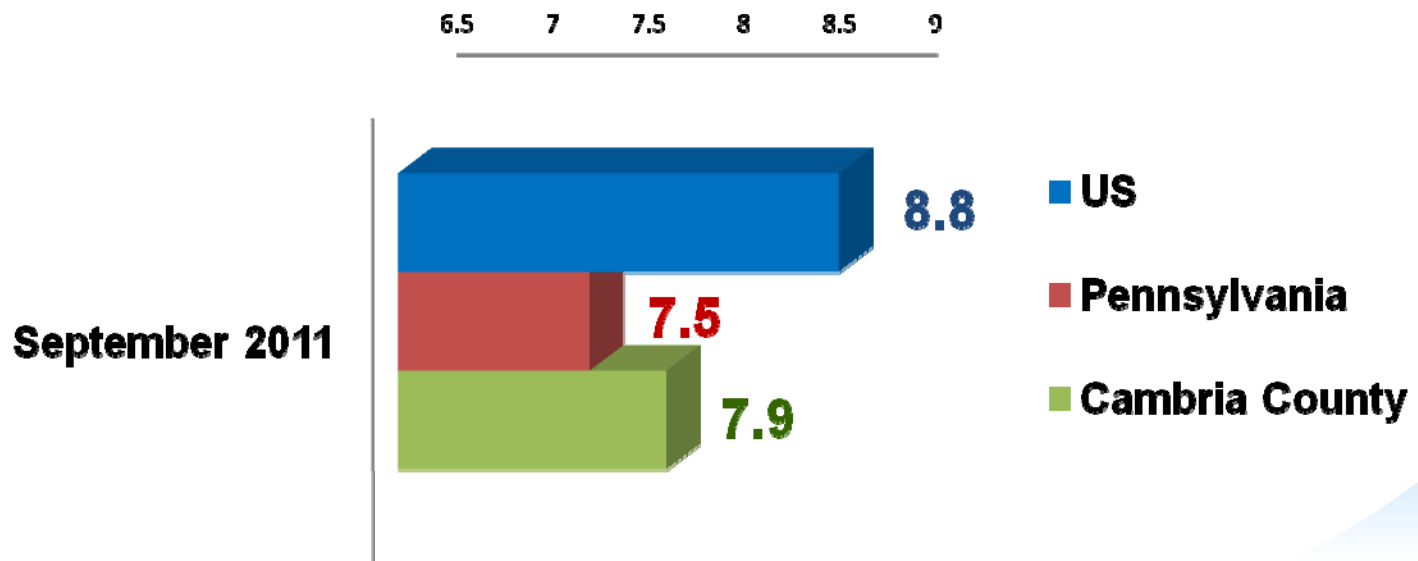
* 2011 Jobs in Perspective

* Unemployment rate is lower than the US

* *But higher than Pennsylvania*

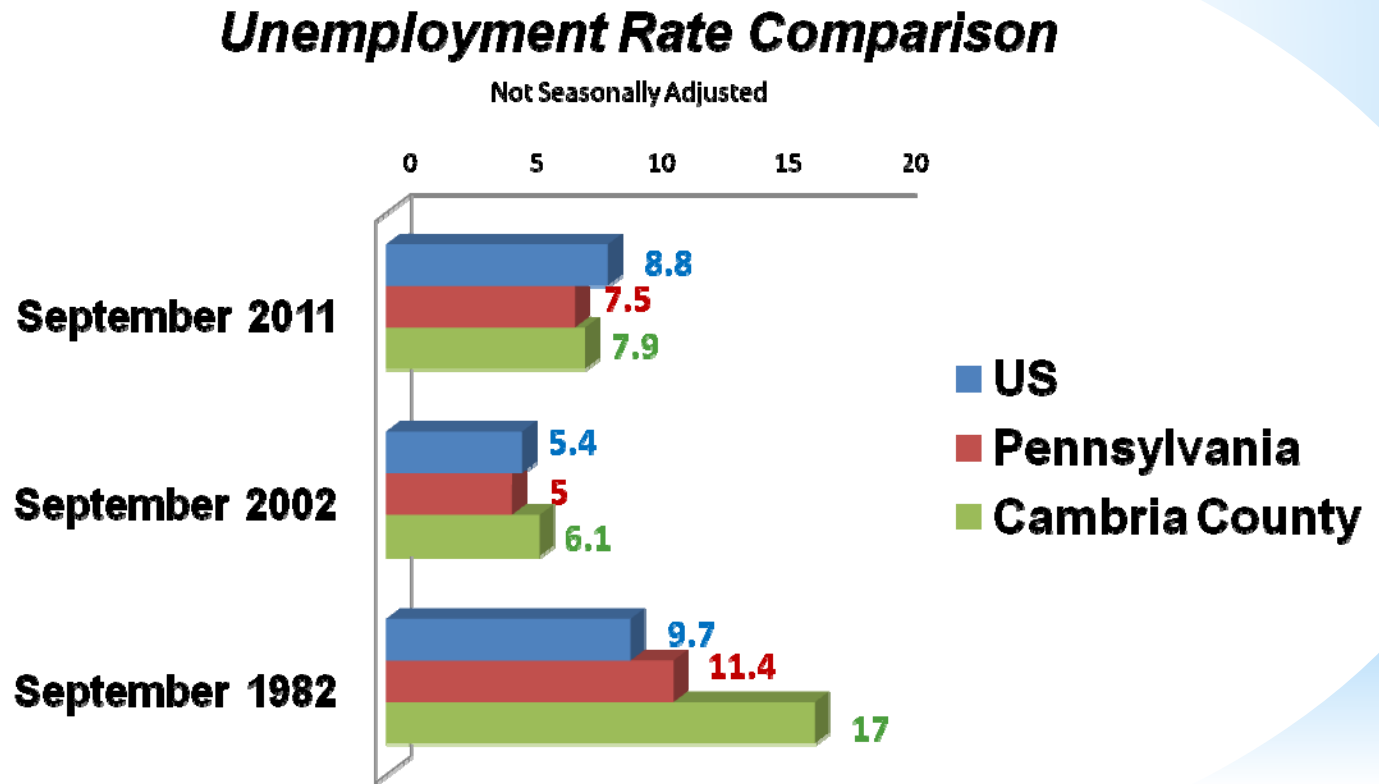
Unemployment Rate Comparison

Not Seasonally Adjusted



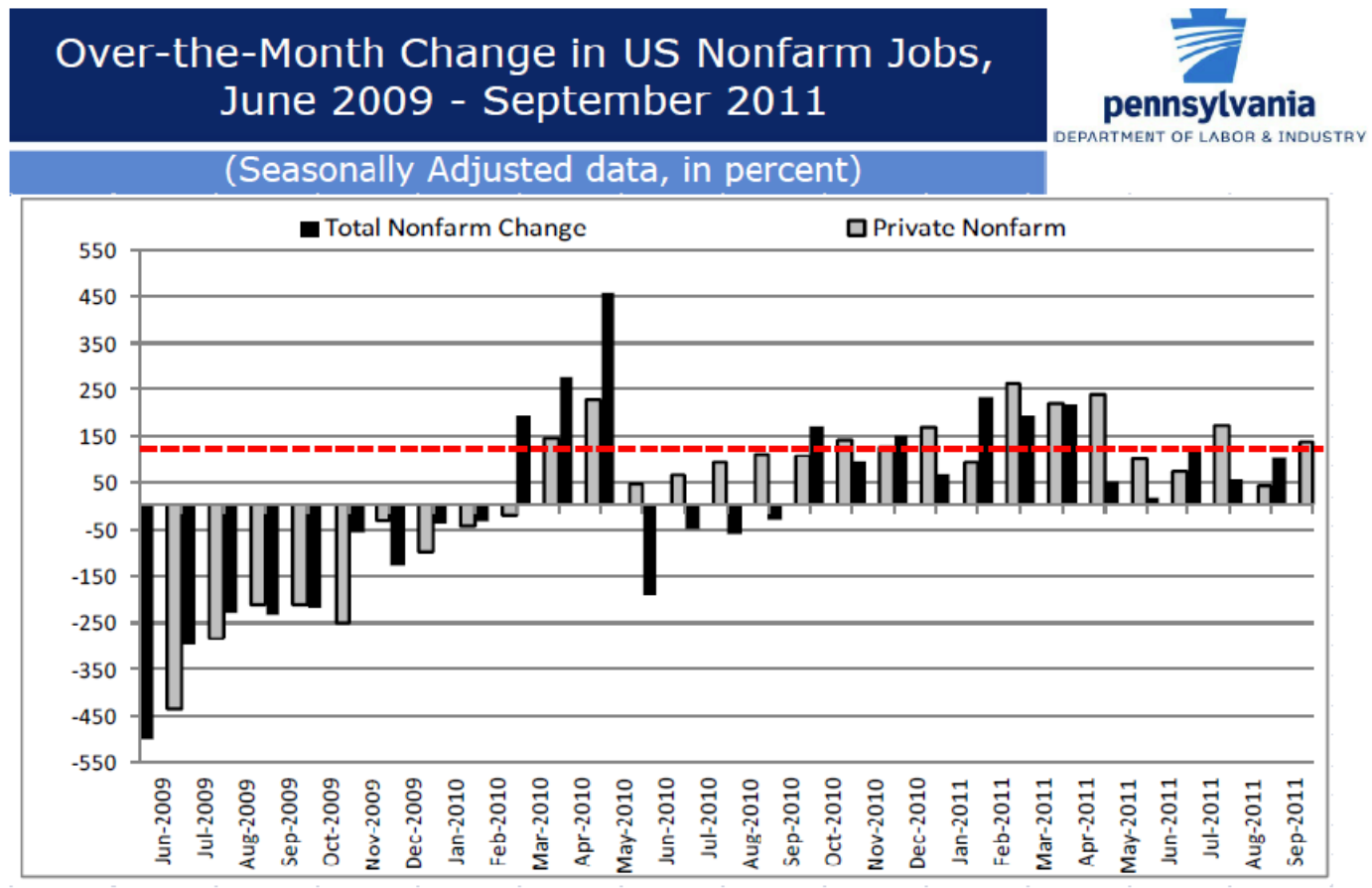
* 2011 Jobs in Perspective

* How does this recovery compare?



* 2011 Jobs in Perspective

- * National growth trend is positive, but is it enough?



* 2011 Jobs in Perspective

* How long will it take to recover lost jobs?

Estimated Time to Recover			
(Based on Seasonally Adjusted data, in thousands)			
TOTAL DEFICIT as of September 2011: 11,151,000 jobs			
MONTHS to RECOVER, if US Total Nonfarm Job Growth rate per Month was:	MONTHS to Erase Deficit	YEARS to Erase Deficit	Estimated Recovery Date:
50,000	223.0	18.6	2029.6
75,000	148.7	12.4	2023.4
100,000	111.5	9.3	2020.3
125,000	89.2	7.4	2018.4
150,000	74.3	6.2	2017.2
200,000	55.8	4.6	2015.6
250,000	44.6	3.7	2014.7
300,000	37.2	3.1	2014.1
350,000	31.9	2.7	2013.7
400,000	27.9	2.3	2013.3



* 2012 Jobs Forecast

- * Overall projection is up
 - * 2012: 473 projected hires
 - * Down from 917 projected last year

**37% plan to hire in
2012**

(19% last year)

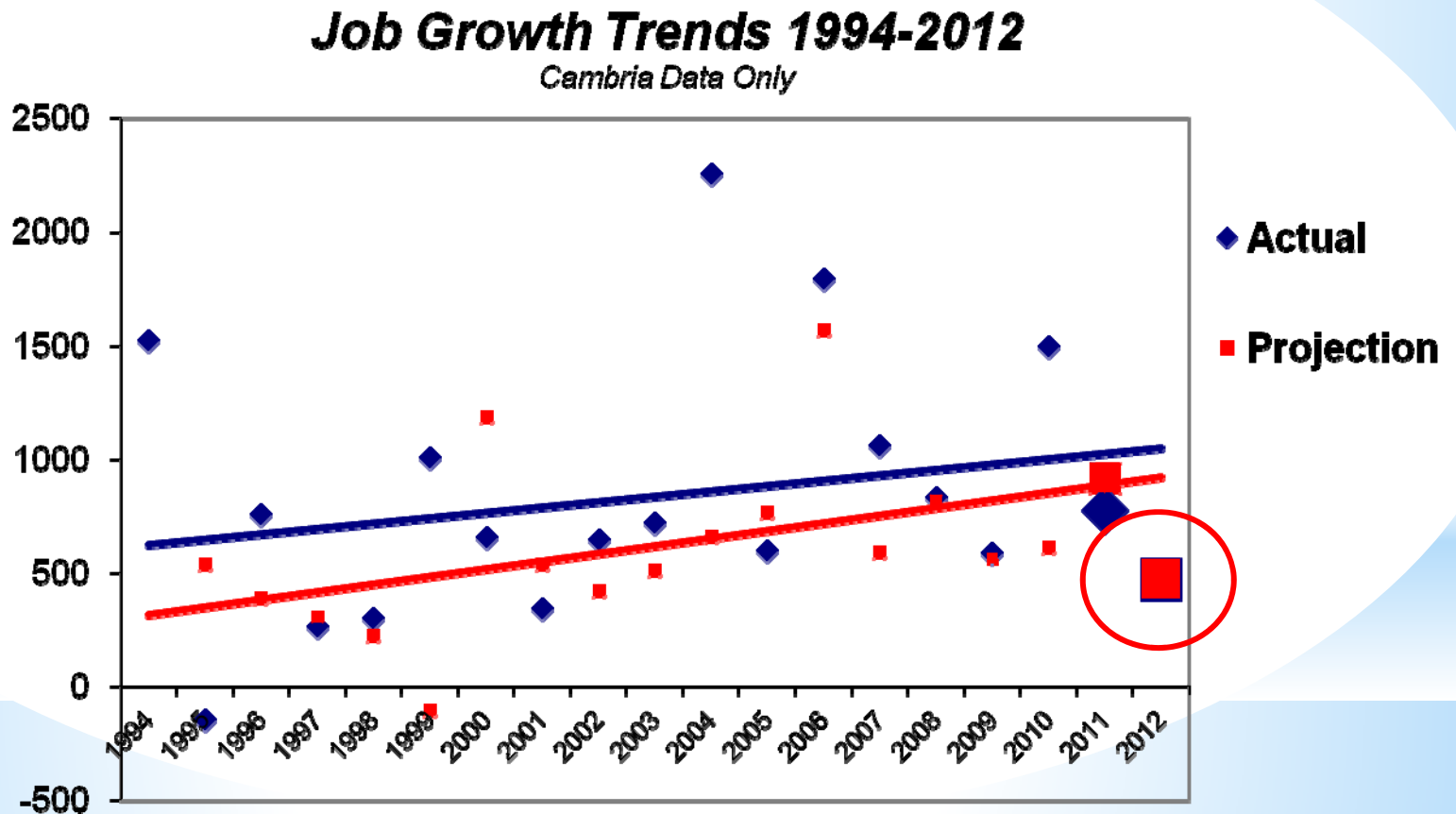
Reality Check

- PA study: 17% plan to add jobs

* 1994-2012 Jobs Trend

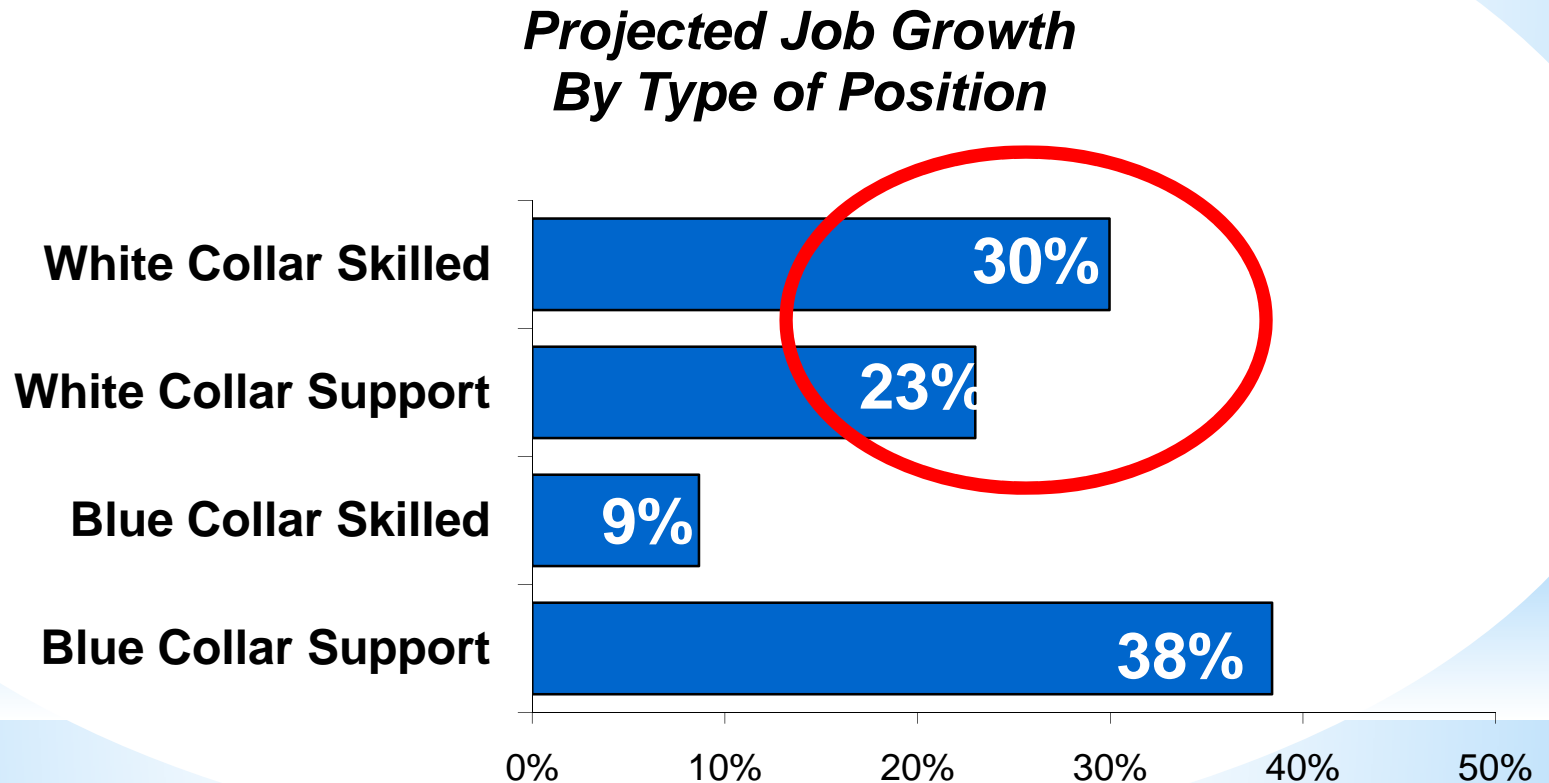
* 2012 projection is below the 18-year trend line

* *This year's actual (500) is also lower than your projection (917)*



* 2012 Jobs by Position

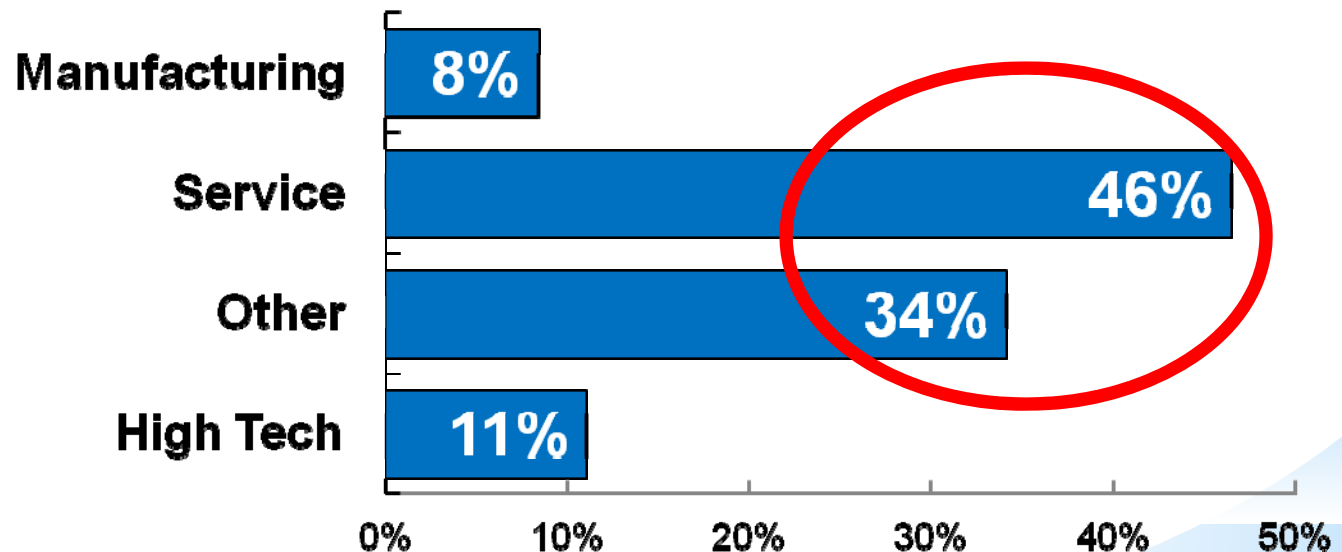
- * White Collar looks strongest (53% of all jobs)
 - * *Stronger than last year (29%)*



* 2012 Jobs by Organization

- * Service and Other sectors look strongest
 - * *Together accounting for 80% of projected jobs*

Source of Projected 2012 Job Growth



* 2011 Jobs by Sector

* A few sectors stand out:

PA Nonfarm Jobs by Supersector September 2011

(Seasonally Adjusted, data in thousands)

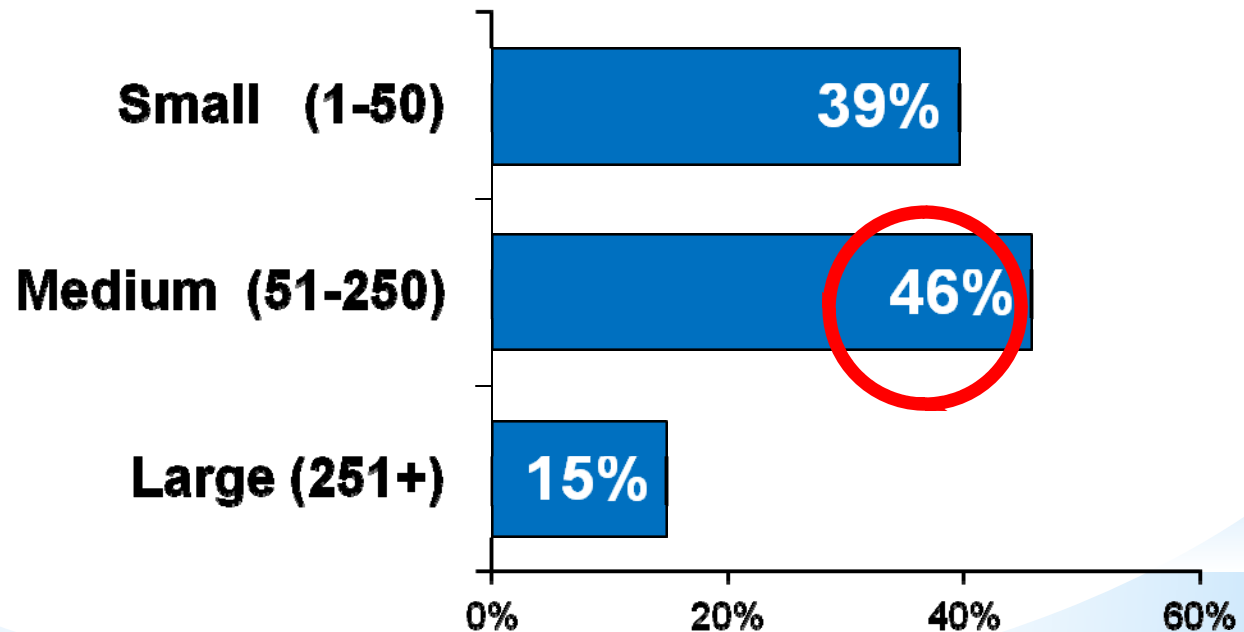


	September 2011	August 2011	September 2010	Change from August 2011		Change from September 2010	
				volume	percent	volume	percent
Total Nonfarm Jobs	5,668.9	5,684.7	5,620.6	-15.8	-0.3%	48.3	0.9%
Goods Producing Industries	826.7	826.8	803.4	-0.1	0.0%	23.3	2.9%
Mining & Logging	32.4	32.4	28.0	0.0	0.0%	4.4	15.7%
Construction	220.3	218.9	214.3	1.4	0.6%	6.0	2.8%
Manufacturing	574.0	575.5	561.1	-1.5	-0.3%	12.9	2.3%
Service Providing Industries	4,842.2	4,857.9	4,817.2	-15.7	-0.3%	25.0	0.5%
Trade, Transportation & Utilities	1,091.9	1,097.8	1,082.0	-5.9	-0.5%	9.9	0.9%
Information	95.3	92.9	93.2	2.4	2.6%	2.1	2.3%
Financial Activities	311.1	312.5	309.8	-1.4	-0.4%	1.3	0.4%
Professional & Business Services	695.2	696.9	690.9	-1.7	-0.2%	4.3	0.6%
Education & Health Services	1,161.6	1,156.5	1,139.0	5.1	0.4%	22.6	2.0%
Leisure & Hospitality	504.9	510.3	501.8	-5.4	-1.1%	3.1	0.6%
Other Services	253.4	253.9	250.5	-0.5	-0.2%	2.9	1.2%
Government	728.8	737.1	750.0	-8.3	-1.1%	-21.2	-2.8%

* 2012 Jobs by Organization Size

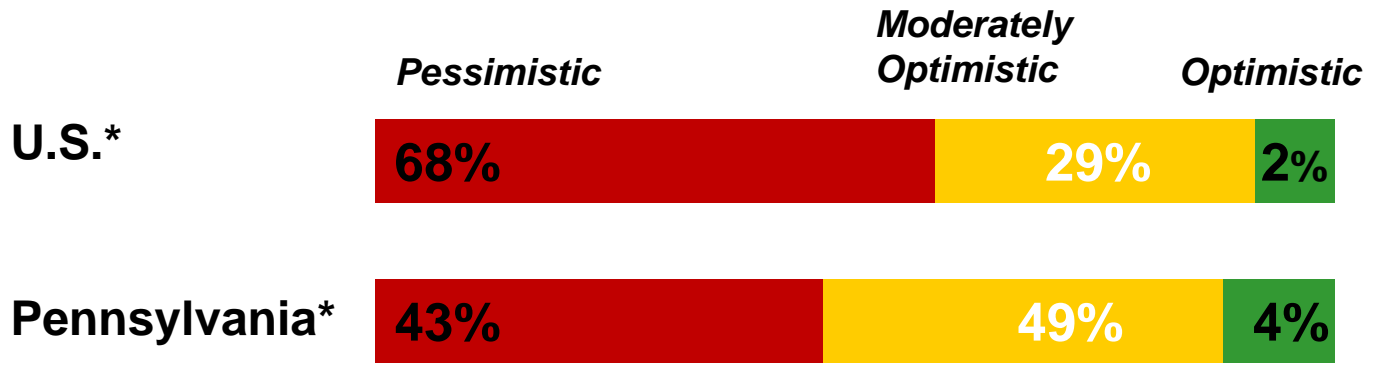
- * Mid-sized organizations may be the strongest driver
 - * *Small firms also appear to be strong*

**2012 Projected Job Growth
By Size of Organization**



* 2012 Optimism Scale

* Optimism Scale

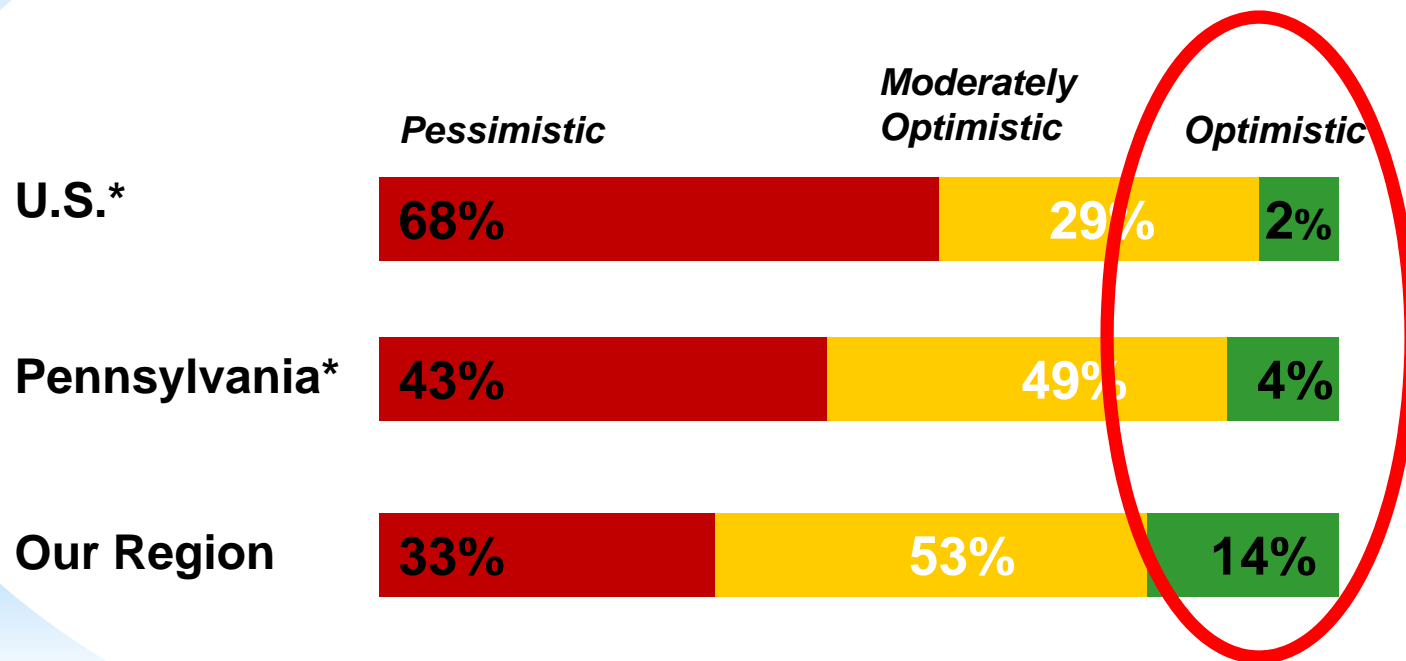


*Source: PNC Bank, 2011

* 2012 Optimism Scale

* Optimism Scale

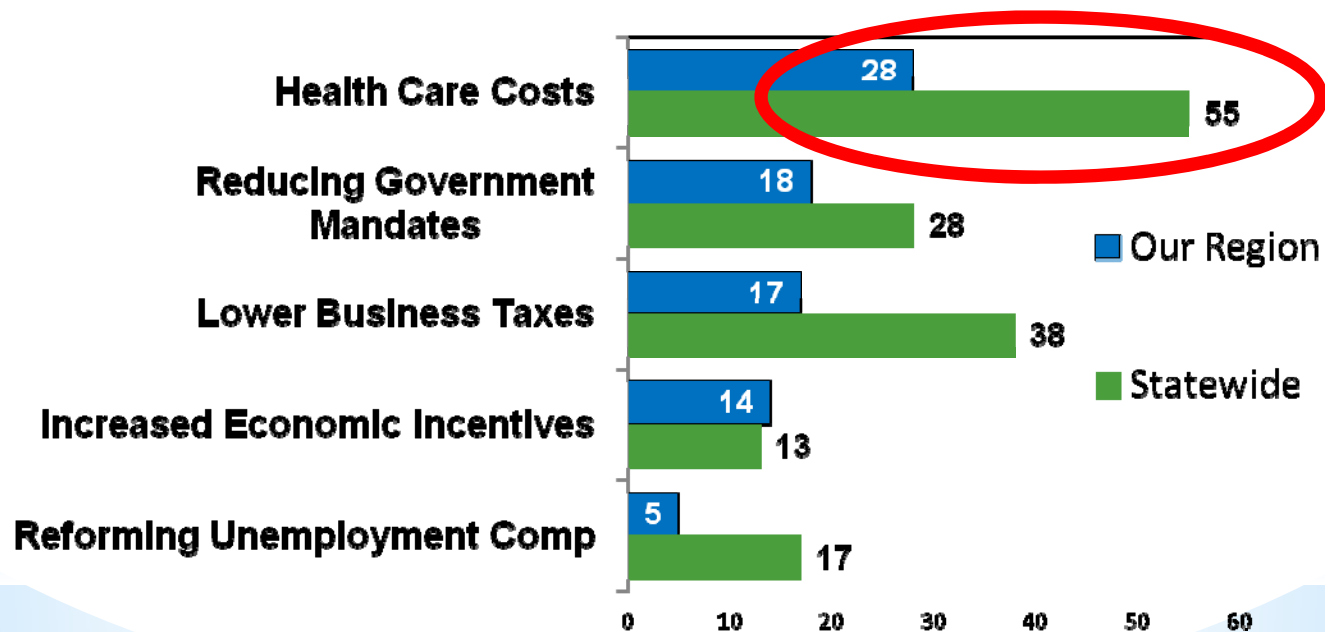
* *Our region is much more optimistic*



* Most Important Legislative Issues

- * Health Care tops the list of critical issues
 - * *Health Care is #1, but less here than statewide*

Most Important Legislative Priorities

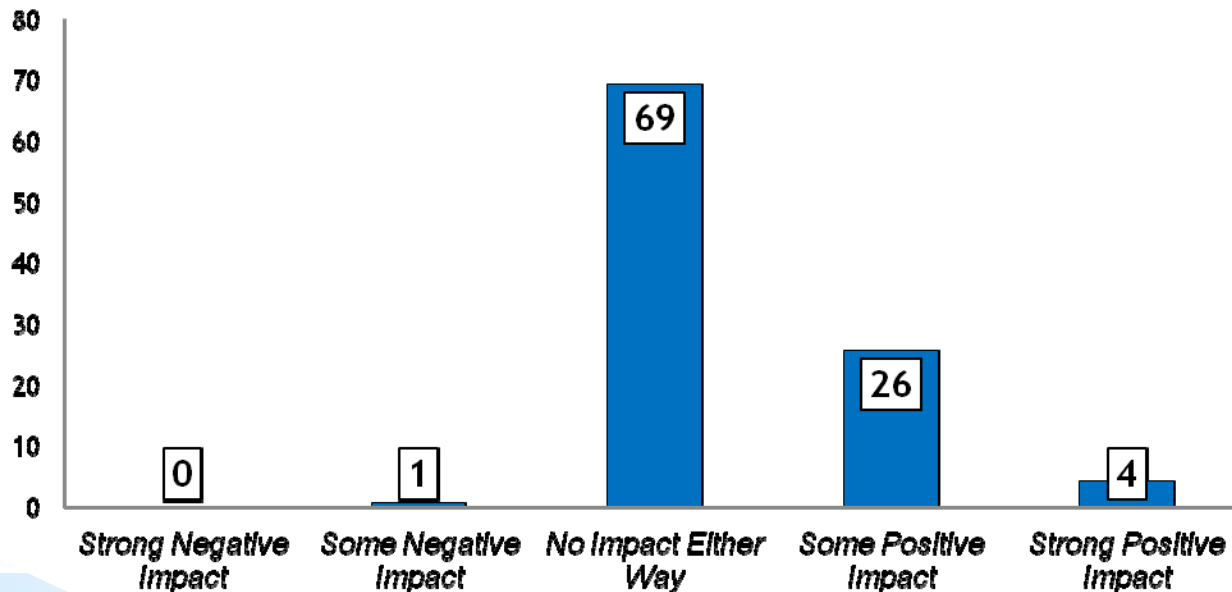


* New Questions This Year

* Marcellus Shale: Business impact

* *Large majority believe it will have no impact*

Impact of Marcellus Shale Drilling on My Organization's Business



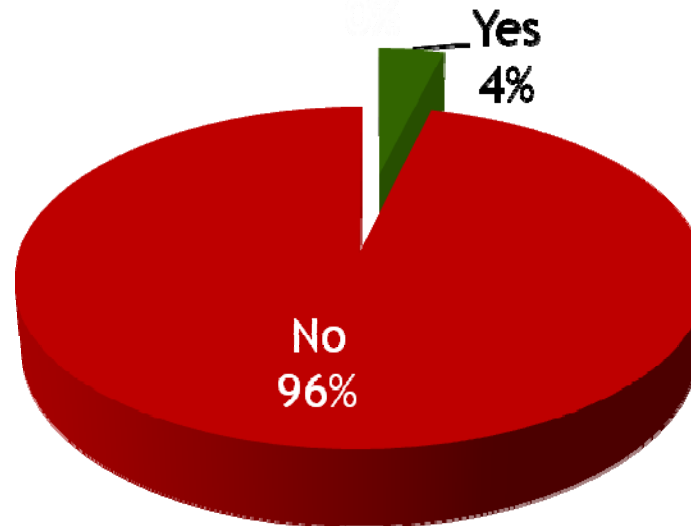
* New Questions This Year

* Marcellus Shale: Hiring

* *Few have hired new employees yet*

* Respondents report a total of 15.5 full time positions added so far

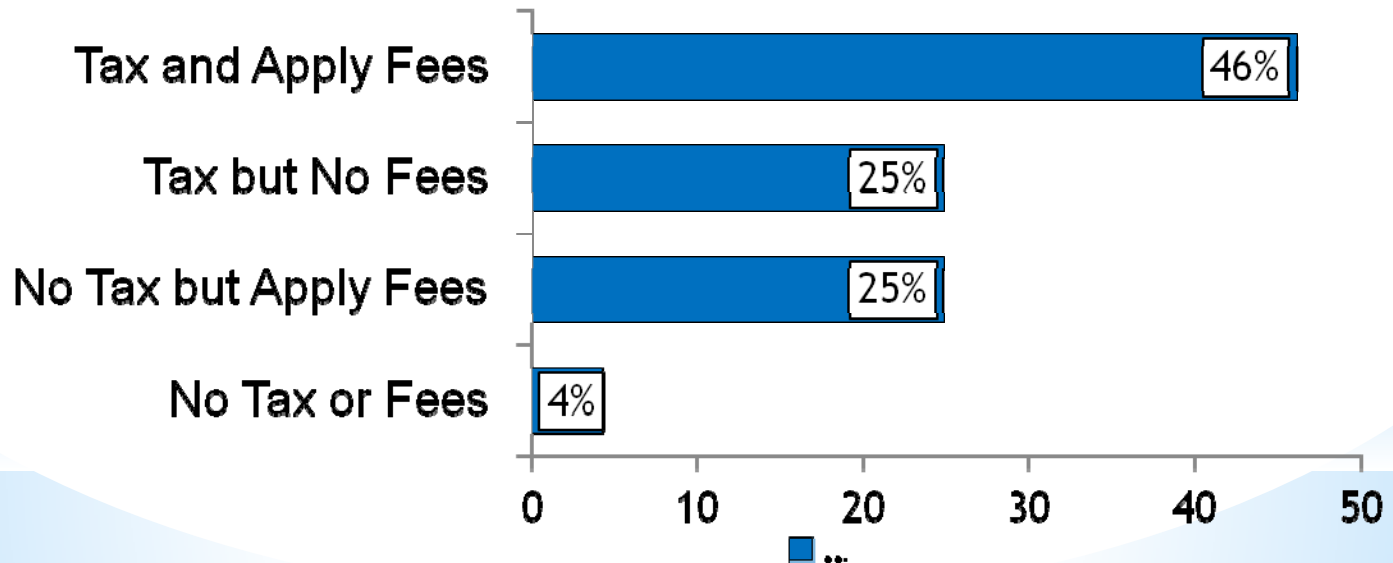
Have You Hired Employees Due to Marcellus Drilling Activity?



* New Questions This Year

- * Marcellus Shale: Taxes and Fees
 - * *Nearly half suggest a combination of Taxes and Fees*
 - * Average Tax suggested: 4.43%

How Should Pennsylvania Handle the Extraction of Marcellus Gas Resources?



* New Questions This Year

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* Marcellus Shale: Impacts so far

- * *“Increase in revenue (more hotel guests)”*
- * *“Banking = lots of new deposits and loans”*
- * *“Increased opportunities through growth of customers”*
- * *“Possible new regional businesses/stakeholders”*
- * *“ We are developing technical solutions...to this market.”*
- * *“Some of our clients have increased sales, and now manufacture new products...”*
- * *“... Our organization is involved in helping businesses to identify new opportunities in the Marcellus. Shale supply chain”*

* New Questions This Year

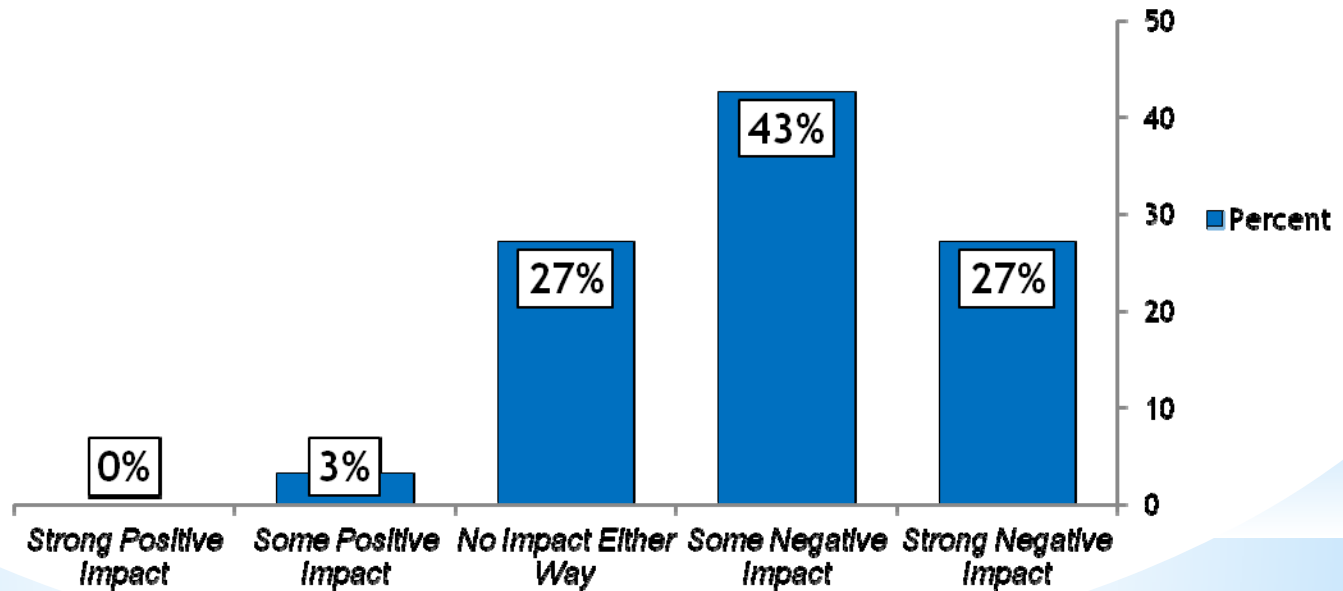
35

- * Marcellus Shale: Opportunities for the future
 - * *“Attract businesses that will use natural gas”*
 - * *“Build a refinery at Bethlehem Steel in Franklin”*
 - * *“Tank construction, engineering business (spin-off business)”*
 - * *“Support of the industry, through the production of water trucks, testing services, or other supplies that the industry may require”*
 - * *“Convert government vehicles to natural gas and start integrating the system throughout the state*
 - * *“Schools need to focus on appropriate curriculum related to Marcellus Shale, particularly those with vocational students who may benefit”*
 - * *“Water cleaning plant”*

* New Questions This Year

- * Federal Budget Crisis in D.C.
- * *70% report some negative impact*

Impact of Federal Budget Impasse on Your Organization's Business



* New Questions This Year

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* Federal Budget Crisis: Local Impact Main Themes

* *“July and August were literally and financially disastrous for us. People would listen to the media and they closed their wallets up.”*

* *“This is difficult to quantify except to say it is more difficult than ever to close a sale and I think this is directly related to a lack of confidence in the US economy and those in Washington who are not working together.”*

* *“Lack of direction and lack of spending cuts have consumers worried”*

* *“Clients are afraid to spend”*

* Wall Street Journal articles offer similar themes

* *“What Business Wants from Washington,” October, 31, 2011*

* *“Are Companies Responsible for Creating Jobs?” October 28, 2011*

* New Questions This Year

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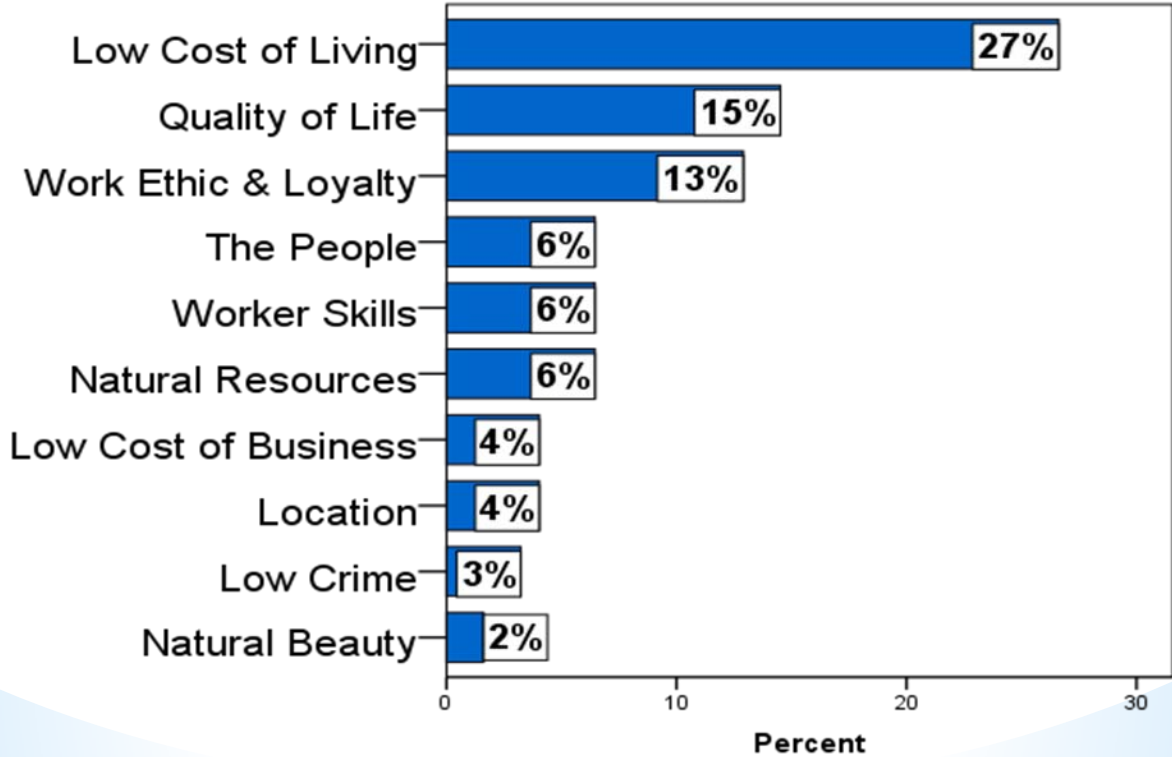
* Federal Budget Crisis: Local Impact Other Thoughts

- * *“Difficult to advise clients on future taxes”*
- * *“Impact on healthcare spending dollars...unemployment has affected patients accessing healthcare...”*
- * *“Reimbursement cuts have been deep...almost 39% in the last 3 years”*
- * *“Decrease in federal grants for fire departments”*
- * *“A lot of my NDIC customers are no longer here”*
- * *“Elimination of passenger air service?”*

* Region's Strengths

- * Quality of Life-related issues dominated--again
 - * *58% related to "Quality of Life"*

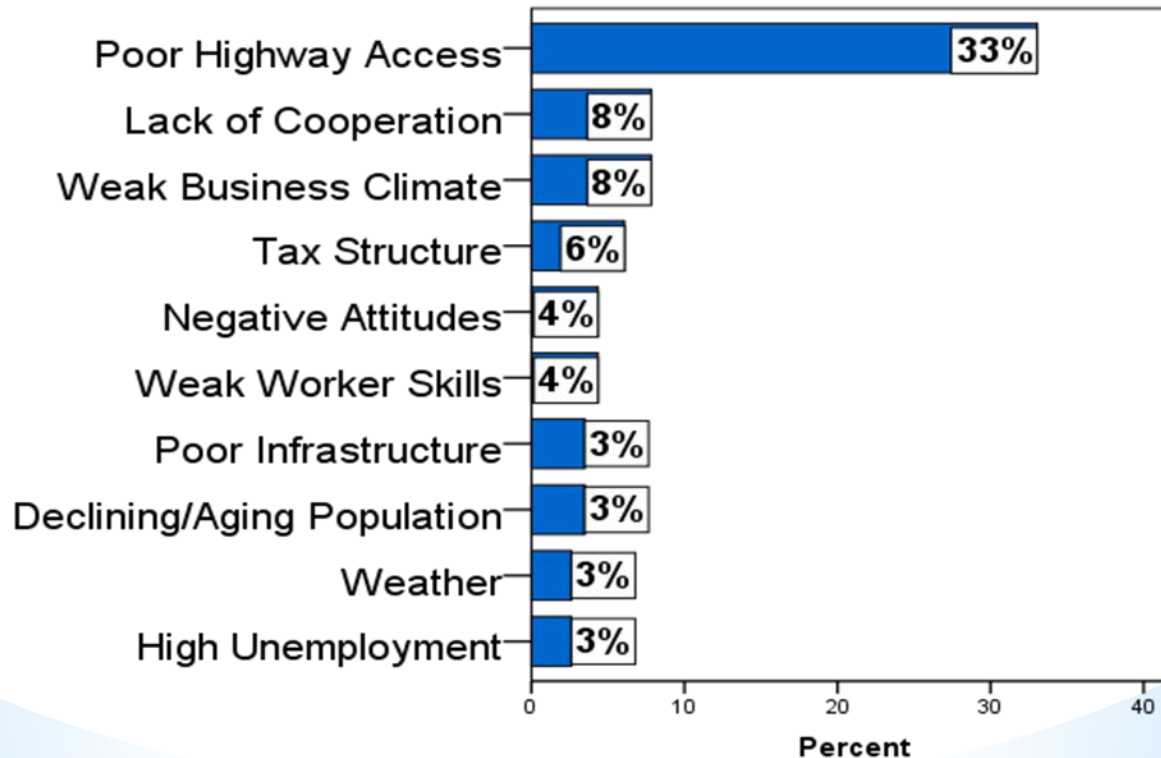
Our Region's Most Attractive Attribute



* Region's Weaknesses

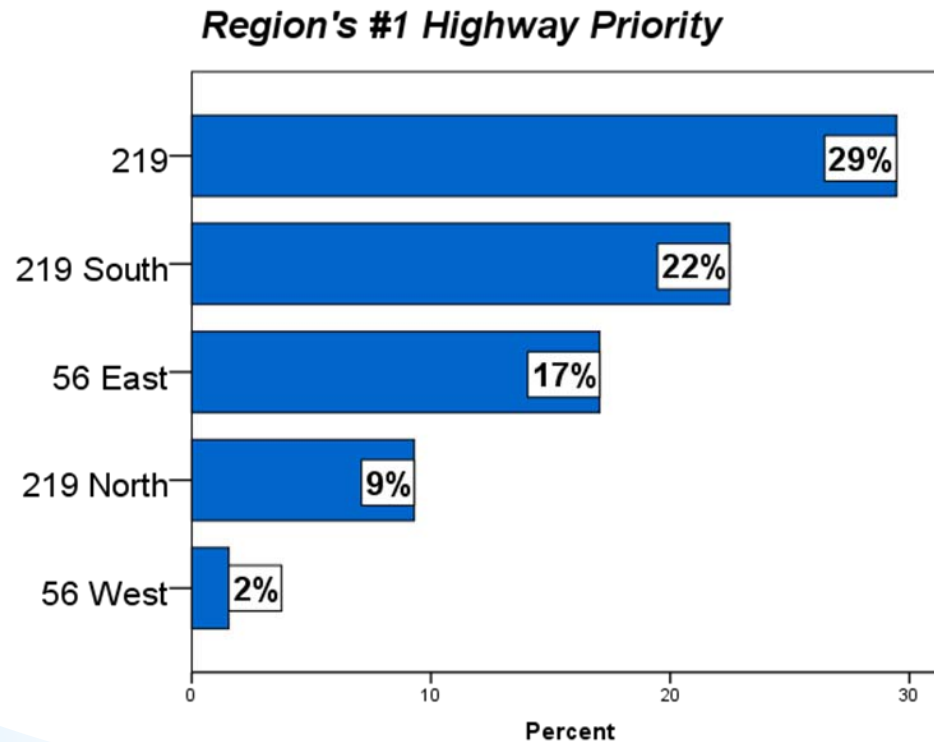
- * Highways are #1 issue—18th year in a row
 - * *"Lack of Cooperation" emerged as a major issue*

Our Region's Most Unattractive Attribute



* Region's Weaknesses

- * Route 219 is the highest priority
 - * *60% of respondents cited 219 in some way*
 - * *219 South the single most mentioned segment*



* Summary 2012 Outlook

* 2012 Profit Projection

- * *Weaker than this year - and 2002*
- * *Most optimistic for:*
 - * High Tech
 - * Smallest and Largest employers

* Employment

- * *More firms plan to hire than last year...*
- * *...but most will only hire 1-5 employees*
- * *Areas of strongest projected growth:*
 - * White Collar
 - * Service and Other
 - * Mid-Sized organizations

* Wages/Benefits

- * *Both projected to grow slower than this year*

* Capital Spending

- * *Projected to be exactly the same as this year*

* Your Input

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- * Questions about this study?
- * Suggestions for next year's study?
 - * *Please complete the form at your table if you want to designate a new contact for the survey*

* *Appendix 1: Respondent Size By Employees*

Respondents by Number of Employees

	Frequency	Valid Percent	Cumulative Percent
Small	129	74.6	74.6
Medium	29	16.8	91.3
Large	15	8.7	100.0
Total	173	100.0	
Missing System	1		
Total	174		

* *Appendix 2: Respondent Size By Revenues*

Respondents by 2011 Revenue

	Frequency	Valid Percent	Cumulative Percent
\$30K or Less	8	4.5	4.5
\$31-50K	6	3.4	7.9
\$51-100K	9	5.1	13.0
\$101-500K	21	11.9	24.9
\$500K-1MM	29	16.4	41.2
\$1-5MM	46	26.0	67.2
\$6-20MM	34	19.2	86.4
\$21MM+	24	13.6	100.0
Total	177	100.0	
Missing System	134		
Total	311		

* *Appendix 3: Respondent Mission*

Respondents by Organizational Mission

	Frequency	Valid Percent	Cumulative Percent
Services	120	69.8	69.8
Other	29	16.9	86.6
Manufacturing	23	13.4	100.0
Total	172	100.0	
Missing System	2		
Total	174		

* *Appendix 4: Respondent Profit Status*

Respondents by Profit Status

	Frequency	Valid Percent	Cumulative Percent
For Profit	128	74.0	74.0
Not for Profit	36	20.8	94.8
Government	9	5.2	100.0
Total	173	100.0	
Missing System	1		
Total	174		

* *Appendix 5: Respondent Business Activities*

Respondents by Business type

	Frequency	Valid Percent	Cumulative Percent
Accounting/Finance/Insurance	19	11.0	11.0
Other Manufacturing	15	8.7	19.8
Retail	15	8.7	28.5
Healthcare	13	7.6	36.0
Education	11	6.4	42.4
Other Services	11	6.4	48.8
Wholesale	8	4.7	53.5
Real Estate	7	4.1	57.6
Social Services	7	4.1	61.6
Arts/Entertainment	6	3.5	65.1
Energy/Utility	6	3.5	68.6
Transportation	6	3.5	72.1
Computer Services	5	2.9	75.0
Construction	5	2.9	77.9
Government/Economic Development	5	2.9	80.8
Other	5	2.9	83.7
Legal	4	2.3	86.0
Media	4	2.3	88.4
Aircraft	3	1.7	90.1
Consulting	3	1.7	91.9
Electronic Parts	2	1.2	93.0
Medical Equip	2	1.2	94.2
Engineering/Architectural	2	1.2	95.3
Printing/Graphics	2	1.2	96.5
R & D	2	1.2	97.7
Hospitality	2	1.2	98.8
Drugs	1	.6	99.4
Agriculture	1	.6	100.0
Total	172	100.0	
Missing System	2		
Total	174		

* *Appendix 6: Projected Job Growth by Type*

2012 Projected Job Growth by Type of Position

	N	Minimum	Maximum	Sum
White Collar Skilled	113	-2	30	142
White Collar Support	107	-1	40	109
Blue Collar Skilled	100	-10	6	41
Blue Collar Support	100	-3	125	182