

April 2014

## Business Optimism Surges

### 2nd Quarter 2014

Business executives in Southeastern Michigan are optimistic about the second quarter of 2014 with a Business Confidence index of 65.3, significantly above a neutral score of 50. In addition, it is an increase of 4.7 points over Q1 in 2014.

All components of the Index are significantly above 50, indicating a positive outlook. Sales expectations of 70.1 registered a n increase of 5.7 over Q1. Capital expenditures expectations had the largest increase of 10.1 over Q1 to 62.2. Hiring expectations grew by 4.3 over Q1 while profit expectations registered an increase of 4.9 over Q1.

The improvement in hiring and capital expenditure expectations of local business executives is very encouraging since these had lagged behind sales and profits expectations and are a good indication of future growth.

Local executives optimism about the local economy reflects an anticipated bounce back in local economic conditions from the harsh winter of 2014 and a continuation of strong automotive sales nationally.

### 2014 Second Quarter Index Values

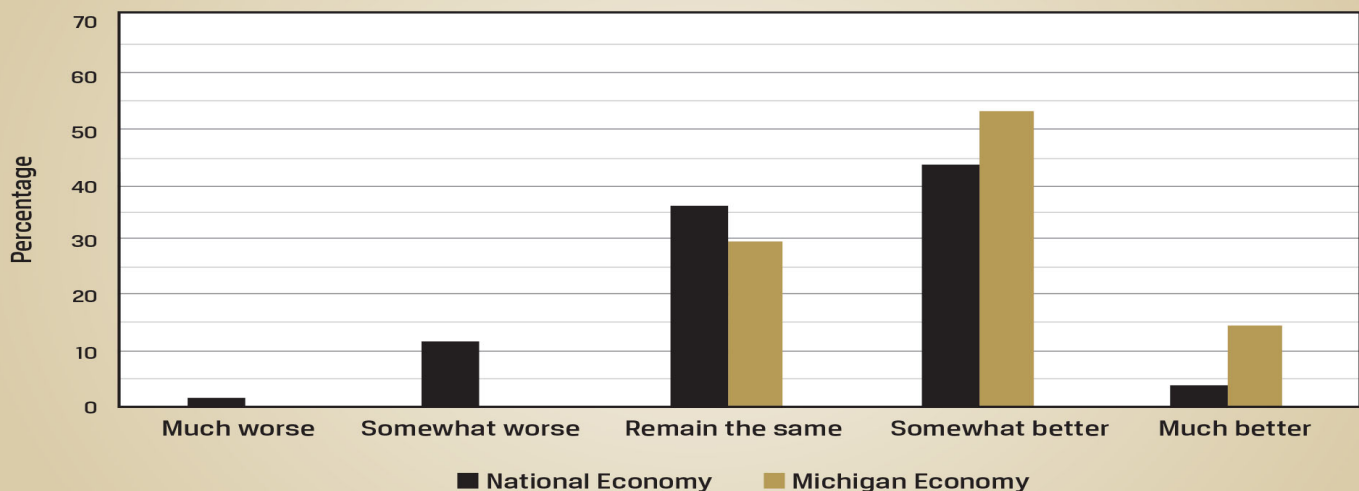
	Q2	Change From Q1
National Economic Outlook	59.0	+1.1
Michigan Economic Outlook	71.2	+1.9
Sales Expectations	70.7	+5.7
Profits Expectations	67.0	+4.9
Hiring Expectations	61.4	+4.3
Capital Expenditures Expectations	62.2	+10.1
<b>Southeast Michigan Business Confidence</b>	<b>65.3</b>	<b>+4.7</b>

*Index above 50 indicates positive outlook  
Index below 50 indicates negative outlook*

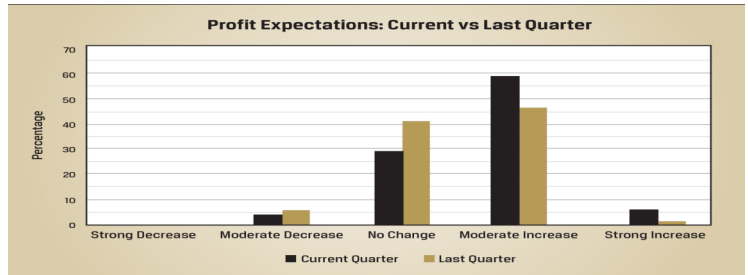
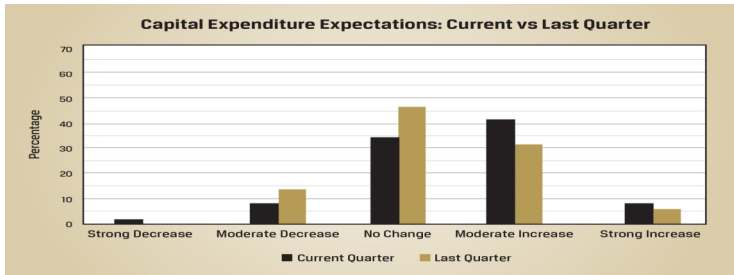
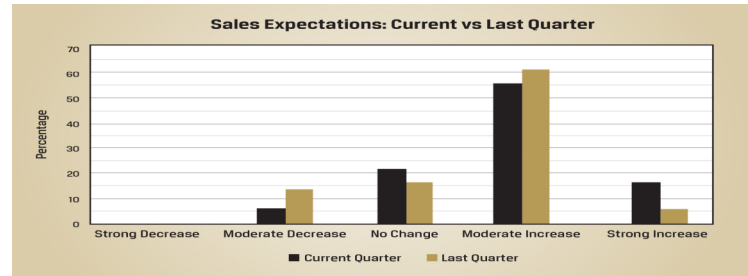
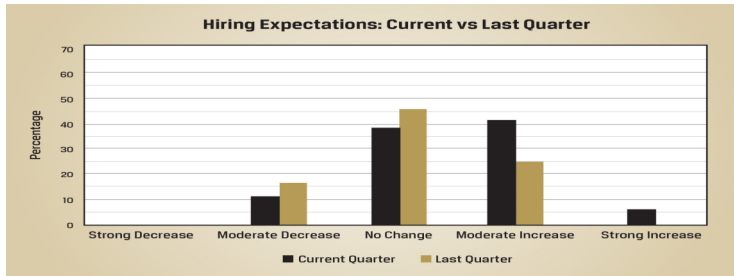
### National vs. Michigan Economic Outlook

Local executives have a much higher expectations for the Michigan economic outlook compared with the National economic outlook (71.2 v. 59.0). This view that the Michigan economy will do better than the national economy reflects the strong recovery of the automobile industry in 2013 and expected to continue in 2014,; consistent with the general trend of the Michigan economy improving faster than the national economy after a recession (except after the 2001 recession).

### Business Confidence: National vs. Michigan Economy



## Business Confidence Panel Item Analysis



### Item Analysis

All four areas of expectations showed strong increases over the first quarter in 2014. These increases can be seen in many more business executives believing that either moderate or strong increases will be seen in the next quarter. Fewer executives felt that the next quarter was going to have a moderate or strong decrease.

The largest improvement was in the area of capital expenditure expectations. In this area the panel's view last quarter was for no change (a value of 52.1) in capital expenditures. The current quarter index value of 62.2 is significantly above neutral suggesting an optimism for capital expenditures that is encouraging since it has lagged nationally holding back the pace of the economic expansion.

### About the Index

The SE MI Business Confidence Index is forward-looking, measuring economic expectations for the upcoming quarter gathered from a broad group of business executives across the Southeastern Michigan region. It is part of the SE MI Economic Outlook project (<http://www.oakland.edu/business/economic-outlook>).

The survey is disseminated to businesses who first register as participants. Registration is open to all businesses in Southeastern Michigan. For classification and verification, the registration asks for company information regarding business type, employment size, and revenues. If you are interested in registering as a participant in order to receive invitations to complete our quarterly survey, you can do so at [http://oaklandbusiness.qualtrics.com/SE/?SID=SV\\_0kMKM3rmqwF4vxH](http://oaklandbusiness.qualtrics.com/SE/?SID=SV_0kMKM3rmqwF4vxH).

We would like to thank the 47 business leaders who completed the survey during the first two weeks of March. 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. The next survey will be the first two weeks of June 2014.

Respondent Characteristics			
Annual Sales	Percent	% Michigan Sales	Percent
Less than \$1 million	11%	0% to 10%	11%
\$1 to \$9 million	21%	11% to 25%	19%
\$10 to \$49 million	15%	26% to 50%	15%
\$50 to 100 million	0%	51% to 75%	6%
More than \$100 million	36%	76% to 100%	36%
Undisclosed	17%	Undisclosed	13%
Employment Size		Industry	
0 - 19	29%	Manufacturing	15%
20 - 99	19%	Sales	6%
100 - 499	19%	Financial Services	15%
500 - 1000	11%	Prof. Services	26%
More than 1000	21%	Other Services	35%