

Summary of Survey Responses from Business Contacts in Springfield, Missouri

June 2015

The Federal Reserve Bank of St. Louis conducted a voluntary survey of businesses in Springfield between February 4 and February 13 this year. A total of 114 contacts completed the survey. The results presented here should be interpreted with some caution as the sample of respondents may not fully represent the entire population of businesses in Springfield.

Highlights

- The region was recognized by many businesses for its diverse industry mix and relative economic stability.
- For the majority of respondents, performance of their business during 2014 (measured by indicators such as employment, dollar sales, capital spending, and prices charged to customers) was about the same as it was a year ago.
- First-quarter performance this year was weaker than expected. Only 10 percent of the businesses surveyed reported that sales exceeded their expectations. While 57 percent of businesses noted that sales met expectations, for 33 percent sales fell short of expectations.
- Despite a slow first quarter, the outlook remained positive; 68 percent of respondents anticipate local economic conditions to improve throughout the year.

Perceptions of the local economy

What do you see as the region's (Christian, Dallas, Greene, Polk, and Webster counties) areas of economic strength and weakness?

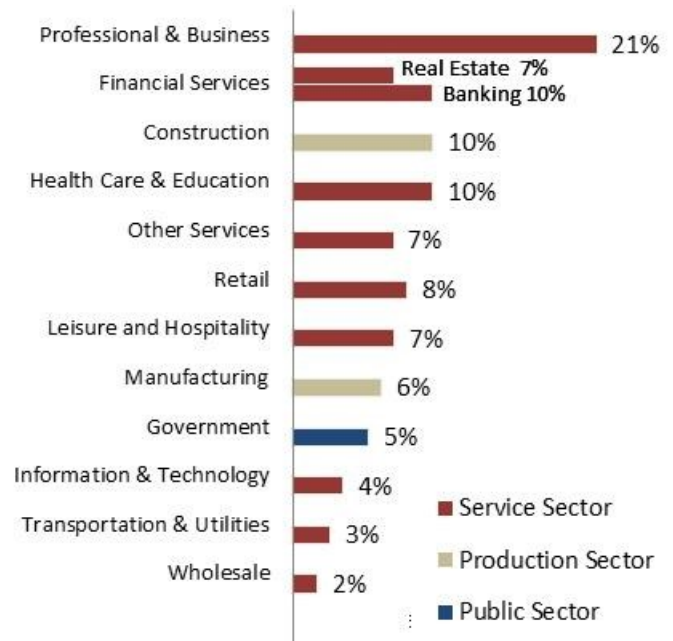
- The most frequent factors identified by respondents as regional economic strengths were the presence of health care and education hubs (24%), the diversity of its economy (23%), Springfield's low cost of living (17%), its central location (14%), its low unemployment rate (13%), and its stable tourism flows (9%).
- While the low cost of living is a hallmark trait of the city for many respondents, many also acknowledged local poverty issues, low wages, and a stagnant middle class as major economic weaknesses in the area.
- The most commonly cited weaknesses were low availability of qualified employees (21%), the relatively low attraction and retention of new skilled workers (17%), a stagnant middle class and poverty (19%), a small manufacturing sector (17%), and the area's relatively low wages (12%).

Current economic conditions

- The majority of respondents reported that business conditions in 2014 were roughly the same as in 2013. Close to 70 percent noted no change in employment; the remaining contacts indicated a slight increase. Half of contacts reported no change in sales, 35 percent reported an increase, and the remainder reported somewhat lower sales.
- Many respondents noted rising costs. Forty-six percent reported higher labor costs, and 40 percent reported higher non-labor costs. Less than 1 percent of respondents reported lower costs.
- Despite higher costs, selling prices were relatively unchanged. Seventy-eight percent of businesses reported no change in prices charged to customers.

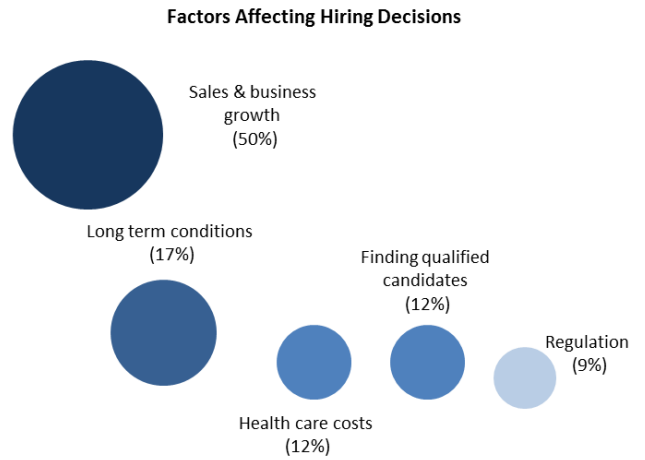
Survey snapshot

Approximately 80 percent of survey respondents are in the service sector; 16 percent of respondents are involved in goods production; the remaining respondents are employed in the government sector.



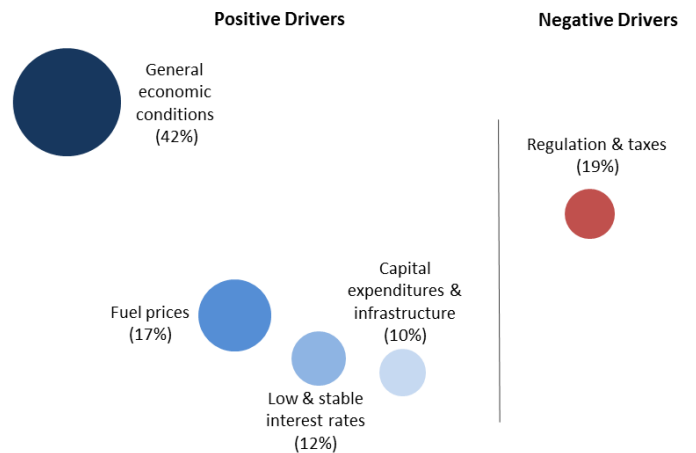
What are the top factors influencing your firm's hiring? How are these factors affecting short- and long-term hiring?

- The five most common factors affecting hiring decisions were sales and business growth, long-term economic conditions, health care costs, availability of qualified workers, and regulation.
- The key factor driving hiring decisions was sales and business growth, mentioned in roughly 50 percent of respondents' answers.
- The long term dominates hiring decisions, with many contacts recognizing they have refrained from short-term hiring due to economic and regulatory uncertainty.



What are the top factors influencing the outlook for your business during the rest of 2015?

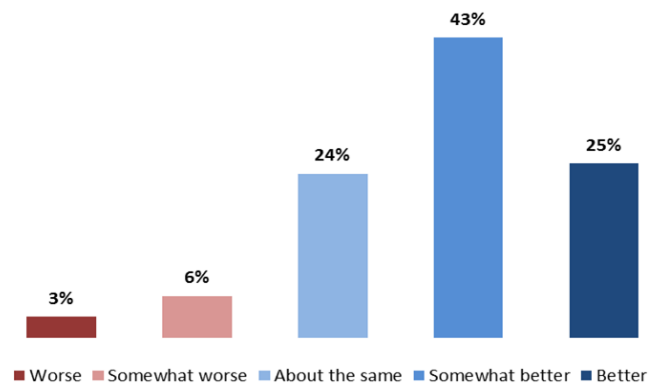
- The most commonly cited positive drivers included low fuel prices, low and stable interest rates, public investments in improved infrastructure, and broader capital expenditures.
- In 42 percent of responses, improved general economic conditions was cited as the most frequent factor shaping the outlook for businesses.
- Regulation and taxes were cited as the most likely to hinder business growth in the months ahead. Few contacts specified particular regulatory issues.



How do you expect local economic conditions in Springfield to change during the next 12 months?

- Year-ahead expectations for the local economy were positive for the majority of business contacts surveyed. Sixty-eight percent expect conditions to be better or somewhat better than a year ago.
- Businesses expected employment growth to continue but did note that the area's lower unemployment rate may make it more difficult to find workers.
- Despite the overall improvements in the economy, most business did not expect to see any change in the prices charged to their customers.

Expectations for Local Economy During the Remainder of 2015



Want more information about the local economy?

The April 2015 issue of *The Regional Economist* features an article on the Springfield economy titled "A Familiar Name with an Economy Facing Familiar Challenges" by Georgette FernandezLaris and Charles Gascon. You can find it at <https://www.stlouisfed.org/publications/regional-economist>.

The Federal Reserve Bank of St. Louis publishes its *Burgundy Book* report on local economic conditions for the Eighth Federal Reserve District four times a year. For copies of this report along with other regional economic data, visit <http://research.stlouisfed.org/regecon>.