Gulf Coast | Business Council
Research Foundation

CEO and Business Owner Confidence Survey

First Quarter 2010

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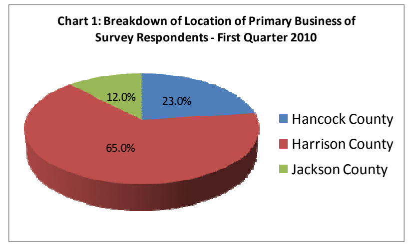
This survey was administered in partnership with the Gulf Coast Business Council Research Foundation, Biloxi Bay Chamber of Commerce, Hancock County Chamber of Commerce, Jackson County Chamber of Commerce, Orange Grove Chamber of Commerce, Ocean Springs Chamber of Commerce, and Mississippi Gulf Coast Chamber of Commerce between March 22 and April 2, 2010. Members of each of the partner organizations were asked to complete an online survey consisting of eleven questions relevant to the current economy on the Mississippi Gulf Coast and expectations for the proceeding six months. The targeted respondents were the chief executives and owners of businesses belonging to these membership organizations. This survey has been conducted on a quarterly basis since the third quarter of 2008.

Overview

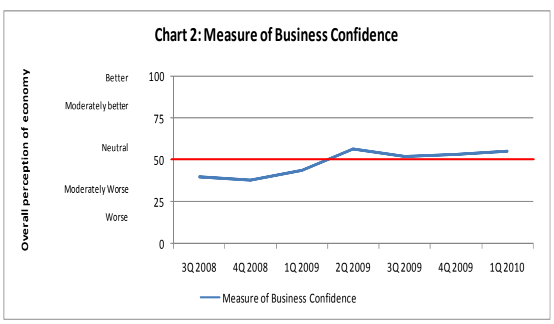
In late March and early April 2010 chief executives and business owners within the three counties of the Mississippi Gulf Coast were asked to complete a survey regarding their perceptions of the regional economy, reviews of the first quarter of 2010, and an outlook for the proceeding six months. The survey asked that only the chief executive or the business owner complete the survey. The respondents totaled 175.



Confidence in regional economy continues to edge upwards.

The overall measure of **business confidence of Mississippi Gulf Coast CEO's and business owners improved slightly in the first quarter, and is up considerably when compared to the same quarter prior year**. Expectations for the next six months, which is a component of the overall measure, remained positive overall but declined slightly from the fourth quarter. Interestingly, the gap between how executives feel about the current state of the economy compared to future expectations narrowed, suggesting that progress is being made and that business leaders are beginning to experience the improvements that have previously been forecasted. The overall index of the survey rose to 55 from 53 in the prior quarter, indicating overall business confidence is just above neutral.

Table 1: CEO & Business Owners Confidence	2010 1st Qtr	2009 4th Qtr	2009 3rd Qtr	2009 2nd Qtr	2009 1st Qtr	2008 4th Qtr	2008 3rd Qtr
Measure of Business Confidence	**55**	**53**	**52**	**57**	**44**	**38**	**40**
1. Current Economic Conditions vs. 6 months ago	52	48	47	53	35	27	30
2. Current Economic Conditions in Own Industry vs. 6 months ago	52	46	46	53	40	32	34
3. Expectations Within Own industry in next six months	62	67	64	64	57	56	56



CEO & Business Owner

Measure of Business Confidence

First Quarter 2010 = 55

The measure of Business Confidence is an average between current economic conditions, current conditions within respondents' own industry, and expectations within respondents' own industry for next six months.

Similar progress to that of the Mississippi Gulf Coast was reported in a March survey conducted in Alabama[1], though Mobile executives registered a slight decline in the *Alabama Business Confidence Index*; it's likely that economy-related perceptions of business leaders in Mobile were influenced by Northrop Grumman Corp.'s recent withdrawal from the race to win the Air Force refueling tanker contract. At the national level, *Chief Executive* magazine's CEO Confidence Index reached its highest level since September 2008 in its March survey.

Current economic conditions improved slightly from six months prior.

For the first time since the second quarter of 2009, business leaders reported that the current state of the economy relative to six months prior was slightly better overall. In previous surveys, it was common for executives to report a slightly worse current situation within their own industry while forecasting improvements in the following six months. Respondents in Jackson County reported the biggest improvement in perceptions, and this is substantiated to a certain degree by recently released data from the Mississippi Department of Employment Security, which reflected a gain in establishment jobs in that county after 14 consecutive monthly declines.

Table 2: Overall Perceptions* of Economy within own industry compared to six months prior.

	1st Quarter 2010	4th Quarter 2009	Change
Hancock	40	44	-8%
Harrison	54	47	15%
Jackson	60	46	30%
Total	52	46	13%

*Ranking system
100 = Economy is better six than months ago
50 = Economy is same as six months ago
0 = Economy is worse than six months ago

Top 3 Industries…

Reporting improvements in current economic conditions

1. Gaming
2. Real Estate
3. Manufacturing

Planning on hiring in the next six months

1. Retail
2. Manufacturing
3. Banking

Sectors reporting the biggest improvements in current economic conditions were Gaming, Real Estate, and Manufacturing. Regarding plans for future hiring, the majority of respondents again reported that staffing levels would likely remain the same over the next six months, with the Retail, Manufacturing, and Banking sectors being the most likely to increase staffing levels. For the third consecutive quarter, at least a third of respondents indicated that significant capital investments (3% of annual revenues) are likely in the near-term.

While the survey findings are positive overall, sectors such as Construction and Retail still anticipate challenges in the ensuing six months, and the outlook for future revenues within the Banking sector declined. When asked what the primary concerns for the upcoming six months were, the most prevalent write-in responses were high costs of insurance and pending state/local budget cuts. Concerns that were new to the list suggest that uncertainty about the recently passed national healthcare reform and prospects for future population growth on the Mississippi Gulf Coast are both factors that local business leaders believe might impact the regional economy. Compared to prior surveys, worries about inflation did not increase in propensity and the number one concern continues to be a potential decrease in demand for the products or services.

From the standpoint of the labor force on the Mississippi Gulf Coast, 49% of respondents indicated that the labor force is adequate in availability and skills/qualifications and 37% suggested that the number of available workers is adequate, but that those workers need additional skills and training. The remaining 14% of respondents stated that general availability is an issue. Generally speaking, this trend has prevailed in recent surveys.

Tables and Statistics

Below are tables containing additional results from the late March 2010 survey administered on the Mississippi Gulf Coast. Table 3 compares first quarter 2010 revenue levels and revenue expectations to those of the fourth quarter 2009. Items shaded in red in Table 3 indicate a decrease from previous quarter. Table 4 and Table 5 contain future hiring plans and chief concerns by industry.

Table 3: Evaluation of current revenue levels (compared to 6 months prior) and expected revenue levels for surveyed businesses on the Missisippi Gulf Coast. A rating of 100 would indicate strong growth, 50 would indicate stability, and 0 would indicate significant declines.

Sector	Current Levels 1st Qtr. '10	Current Levels 4th Qtr. '09	% Change	Sector	Future Expectations as of 1st Qtr. '10	Future Expectations as of 4th Qtr. '09	% Change
Overall	**45**	37	21%	**Overall**	**60**	**62**	-3%
Banking	42	55	-23%	Banking	62	79	-22%
Chemicals	NA	NA	NA	Chemicals	NA	NA	NA
Construction	33	35	-6%	Construction	56	62	-10%
Education/Government	35	40	-12%	Education/Government	40	50	-20%
Entertainment (not gaming)	NA	19	NA	Entertainment (not gaming)	NA	81	NA
Food & Beverage	27	36	-25%	Food & Beverage	64	59	8%
Gaming and/or Lodging	50	12	333%	Gaming and/or Lodging	58	65	-11%
Healthcare	71	44	62%	Healthcare	43	71	-39%
Information Technology	33	33	0%	Information Technology	67	83	-20%
Manufacturing	56	33	69%	Manufacturing	81	63	30%
Media	67	57	17%	Media	83	64	30%
Military	50	NA	NA	Military	50	NA	NA
Nonprofit/Civic Organization	38	42	-10%	Nonprofit/Civic Organization	60	58	3%
Professional Services	48	36	33%	Professional Services	58	62	-7%
Real Estate	64	30	111%	Real Estate	93	61	53%
Retail and Wholesale Trade	28	29	-4%	Retail and Wholesale Trade	53	46	16%
Utilities and Transportation	56	56	1%	Utilities and Transportation	63	67	-6%

Table 4: Hiring plans for the next six months for companies on the Mississippi Gulf Coast.

Sector	Increase Staffing	Keep Same Levels	Decrease Staffing
Overall	**21%**	**62%**	**17%**
Banking	31%	62%	8%
Chemicals	NA	NA	NA
Construction	44%	22%	33%
Education/Government	30%	10%	60%
Entertainment (not gaming)	NA	NA	NA
Food & Beverage	36%	27%	36%
Gaming and/or Lodging	0%	83%	17%
Healthcare	14%	43%	43%
Information Technology	67%	33%	0%
Manufacturing	88%	0%	13%
Media	50%	33%	17%
Military	100%	0%	0%
Nonprofit/Civic Organization	20%	65%	15%
Professional Services	22%	62%	16%
Real Estate	14%	86%	0%
Retail and Wholesale Trade	44%	56%	0%
Utilities and Transportation	38%	63%	0%

Table 5: Most Noted Concern Going Forward for Businesses on the Mississippi Gulf Coast. (a)

Sector	Cost to Do Business	Inability to Find Labor	Decrease in Demand
Overall	36%	5%	39%
Banking	31%	8%	38%
Chemicals	NA	NA	NA
Construction	44%	0%	33%
Education/Government	50%	10%	10%
Entertainment (not gaming)	NA	NA	NA
Food & Beverage	36%	0%	36%
Gaming and/or Lodging	17%	0%	83%
Healthcare	71%	0%	0%
Information Technology	0%	0%	33%
Manufacturing	25%	13%	38%
Media	50%	33%	0%
Military	100%	0%	0%
Nonprofit/Civic Organization	30%	5%	25%
Professional Services	32%	8%	38%
Real Estate	57%	0%	0%
Retail and Wholesale Trade	44%	13%	25%
Utilities and Transportation	100%	0%	0%

(a) In Table 5 most of the write-in comments had to do with insurance, local and state budget cuts, and worries about growth in population. Recent healthcare reform was also mentioned.

[1] www.al.com, Mobile area business confidence still below break-even, Jeff Amy, April 3, 2010