Gulf Coast | Business Council
Research Foundation

CEO and Business Owner Confidence Survey

Second 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 June 28 and July 8, 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.

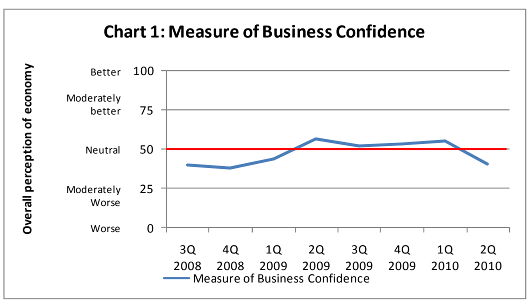
Overview

At the end of the second quarter 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 second 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 173.

Previously rising business confidence likely sidetracked by oil spill

After growing in four out of five prior quarters, **business confidence of Mississippi Gulf Coast CEO's and business owners dropped in the second quarter, however, falling to levels slightly above the sentiments reported in the fourth quarter 2008 during the climax of the national credit crisis**. The overall index, which is now at 41, suggests that confidence in the region's economy is just below neutral. Expectations for the upcoming six months are more favorable.

Table 1: CEO & Business Owners Confidence	2010 2nd Qtr	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	**41**	**55**	**53**	**52**	**57**	**44**	**38**	**40**
1. Current Economic Conditions vs. 6 months ago	37	52	48	47	53	35	27	30
2. Current Economic Conditions in Own Industry vs. 6 months ago	41	52	46	46	53	40	32	34
3. Expectations Within Own industry in next six months	44	62	67	64	64	57	56	56



CEO & Business Owner

Measure of Business Confidence

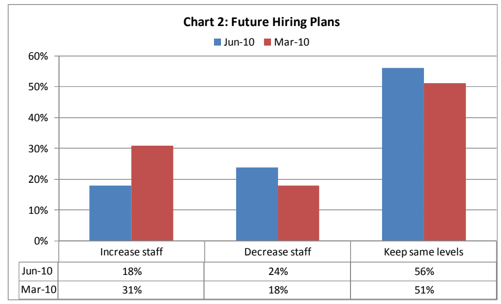
Second Quarter 2010 = 41

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.

The Alabama Business Confidence Index improved by 2.8% when administered in June; over the last several quarters the Mississippi Gulf Coast has typically followed and often outpaced that statewide index. At the national level, *Chief Executive* magazine's CEO Index fell by 3.4%. The Mississippi Gulf Coast's sudden drop in confidence likely had more to do with the Deepwater Horizon oil spill than prevailing economic conditions, as evidenced by the 28% of respondents who submitted written comments about the impacts of the oil spill. Some of the more frequent write-in responses included: indirect fallout from a negatively impacted tourism industry, downward pressures on commercial real estate, and a general uncertainty about just how the economy on the Mississippi Gulf Coast will be impacted. Notably, the Conference Board's national consumer confidence index dropped by 15% in June, with the East South Central component of that measure dropping substantially. An economist who commented on the national index noted that a similar drop occurred after Katrina, and that much of the negative sentiments have been tied to frustrations surrounding the inability to stop the leak[1].

Majority of employers plan to keep staffing levels the same.

According to the survey, the initial decline in business confidence has not translated into significant, negative changes to future hiring plans. Reference Chart 2 to the right for a comparison to this survey to the one administered at the end of March. Perceptions of the available workforce in the region remained consistent with prior surveys, with roughly 51% indicating that the labor pool was adequate in availability and skills and 38% citing an adequate labor force, but one that lacks certain skills.



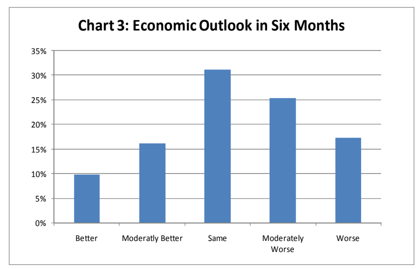
Perceptions of existing and future economy are mixed, uncertain.

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

	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009
Hancock	34	40	44
Harrison	47	54	47
Jackson	35	60	46
Total	41	52	46

*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

As Table 2 demonstrates, business leaders from all three counties on the Mississippi Gulf Coast reported decreases in perception relative to the last survey. Interestingly, executives and business owners in Jackson and Hancock counties tended to perceive the current economy worse than those in Harrison County, who generally had a neutral opinion of it. Notably, when the survey was administered, tar balls had been reported on Petit Bois Island (south of Jackson County) and Hancock County had experienced false calls of oil on its beaches. At the sector level, most respondents indicated the revenue levels continued to be flat or marginally down from prior year, with sectors such as Banking, Utilities, and Information Technology reporting improvements relative to prior quarter; these trends generally have prevailed for the last several quarters.



Top 3 Industries…

Anticipating biggest challenges in future revenues.

1. Food & Beverage
2. Construction
3. Retail

*Certain sectors were excluded from this statistic due to small sample size of respondents. Clearly, the recent oil spill threatens the seafood industry on the Mississippi Gulf Coast as well as our tourism industry, which employs over 25,000 people.

In the coming weeks, it is anticipated that many of the "uncertainties" that have characterized the oil spill will become some sort of reality for the Mississippi Gulf Coast, either good or bad. The Gulf Coast Business Council Research Foundation will be collaborating with the University of Southern Mississippi, Mississippi's Institutions for Higher Learning, the Mississippi Development Authority, and other agencies to provide sound research on oil spill related economic impacts that can be used to make informed decisions, shape useful policy, and identify areas of focus for comprehensive economic impact studies.

Tables and Statistics

Below are tables containing additional results from June 28 – July 8, 2010 survey administered on the Mississippi Gulf Coast. Table 3 compares second quarter 2010 revenue levels and revenue expectations to those of the first quarter 2010. 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 Missisisppi Gulf Coast. A rating of 100 would indicate strong growth, 50 would indicate stability, and 0 would indicate significant declines.

Sector	Current Levels 2nd Qtr. '10	Current Levels 1st Qtr. '10	% Change	Sector	Future Expectations as of 2nd Qtr. '10	Future Expectations as of 1st Qtr. '10	% Change
Overall	**36**	45	-18%	**Overall**	**39**	**60**	-35%
Banking	46	42	8%	Banking	50	62	-19%
Chemicals	NA	NA	NA	Chemicals	NA	NA	NA
Construction	23	33	-32%	Construction	27	56	-51%
Education/Government	38	35	7%	Education/Government	41	40	2%
Entertainment (not gaming)	17	NA	NA	Entertainment (not gaming)	33	NA	NA
Food & Beverage	29	27	5%	Food & Beverage	43	64	-33%
Gaming and/or Lodging	21	50	-57%	Gaming and/or Lodging	36	58	-39%
Healthcare	50	71	-30%	Healthcare	40	43	-7%
Information Technology	50	33	50%	Information Technology	0	67	-100%
Manufacturing	33	56	-41%	Manufacturing	33	81	-59%
Media	57	67	-14%	Media	79	83	-6%
Military	50	50	NA	Military	50	50	NA
Nonprofit/Civic Organization	36	38	-5%	Nonprofit/Civic Organization	21	60	-64%
Professional Services	35	48	-28%	Professional Services	44	58	-23%
Real Estate	41	64	-36%	Real Estate	38	93	-59%
Retail and Wholesale Trade	27	28	-4%	Retail and Wholesale Trade	29	53	-46%
Utilities and Transportation	75	56	33%	Utilities and Transportation	58	63	-7%

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

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

Sector	Increase Staffing	Keep Same Levels	Decrease Staffing	Sector	Cost to Do Business	Inability to Find Labor	Decrease in Demand
Overall	**19%**	**56%**	**25%**	**Overall**	28%	3%	41%
Banking	25%	58%	17%	Banking	33%	0%	42%
Chemicals	NA	NA	NA	Chemicals	NA	NA	NA
Construction	9%	55%	36%	Construction	27%	9%	36%
Education/Government	31%	38%	31%	Education/Government	38%	13%	13%
Entertainment (not gaming)	0%	67%	33%	Entertainment (not gaming)	0%	0%	33%
Food & Beverage	14%	57%	29%	Food & Beverage	14%	0%	57%
Gaming and/or Lodging	0%	86%	14%	Gaming and/or Lodging	29%	0%	29%
Healthcare	20%	60%	20%	Healthcare	60%	0%	40%
Information Technology	0%	100%	0%	Information Technology	0%	0%	0%
Manufacturing	33%	0%	67%	Manufacturing	0%	0%	100%
Media	57%	43%	0%	Media	29%	14%	43%
Military	50%	0%	50%	Military	100%	0%	0%
Nonprofit/Civic Organization	14%	57%	29%	Nonprofit/Civic Organization	21%	0%	29%
Professional Services	19%	58%	22%	Professional Services	25%	3%	61%
Real Estate	6%	76%	18%	Real Estate	24%	0%	35%
Retail and Wholesale Trade	15%	50%	35%	Retail and Wholesale Trade	27%	4%	42%
Utilities and Transportation	33%	67%	0%	Utilities and Transportation	33%	0%	33%

(a) In Table 5 the large majority of responses had to do with the oil spill. Other responses included the moratorium on drilling and high insurance costs.

[1] *Gulf Oil Spill May be Damaging U.S. Consumer Confidence*, Bloomberg.com, June 29, 2010