



Business Executives' Expectations

Moderate Improvement in Business Confidence

Business executives' level of confidence improved in the final quarter of 1999, after having declined sharply in the third quarter. The Conference Board's Measure of Business Confidence rose to 52, up from the previous quarter's reading of 51. (A reading of more than 50 points reflects more positive than negative responses.)

Business leaders' assessment of current economic conditions in the fourth quarter was significantly more positive than in the third quarter. Slightly more than 40 percent of CEOs feel economic conditions have improved, up from 23 percent in the prior survey. Those who feel conditions have deteriorated over the past six months, however, only declined from 12 percent to 11 percent. Business leaders' assessment of conditions in their own industries also improved. More than 42 percent feel conditions are better, up from 34 percent last quarter. Those claiming conditions have worsened, however, increased to 28 percent from 22 percent.

Executives' short-term outlook was mixed. Currently, 20 percent of CEOs expect economic conditions to improve over the next six months, about the same proportion as last quarter. Those expecting conditions to be less favorable declined sharply, from 35 percent to a current reading of less than 25 percent. Business leaders' expectations for conditions in their own industries were more positive than in the last survey: Almost 42 percent feel conditions will improve, up from 31 percent, while the percentage expecting conditions to worsen fell to less than 24 percent from 32 percent in the previous quarter survey.

Inflation Outlook: Price Increases Projected for 2000

Based on a supplementary year-end question, the majority of chief executives expect changes in their firms' selling prices in 2000 — with only 6 percent anticipating price increases in excess of 10 percent. More than 14 percent of the respondents surveyed plan decreases; about 23 percent foresee no change; 51 percent of business leaders expect to raise prices up to 5 percent; and 6 percent expect prices to increase between 6 to 9 percent. The average firm plans a selling price increase of 3.3 percent, up from last year's estimate of 3.0 percent.

Lynn Franco

Business
Confidence and
Changes in GDP

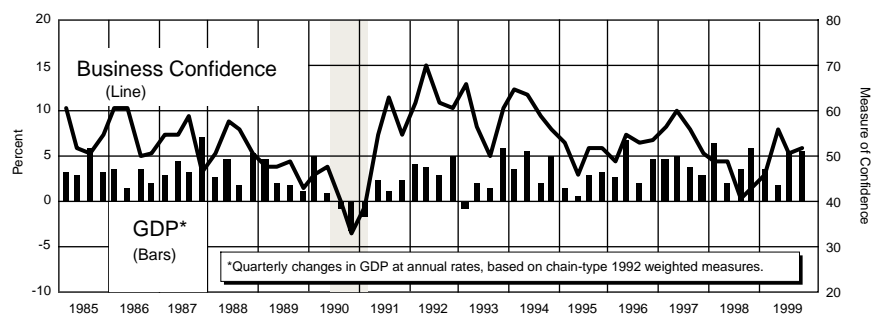


Table 1: BUSINESS EXECUTIVES CONFIDENCE

	1996		1997				1998				1999			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
MEASURE OF BUSINESS CONFIDENCE	54	57	60	56	51	49	49	41	43	46	56	51	52	
1. Current Economic Conditions vs. 6 Months Ago	61	62	68	62	57	54	52	41	41	48	60	52	57	
2. Expectations for Economy, 6 Months Ahead	50	53	55	52	46	45	45	37	42	42	53	49	48	
3. Expectations for Own Industry, 6 Months Ahead	52	57	58	54	49	47	49	45	46	49	57	52	51	
Current Conditions in Own Industry vs. 6 Months Ago	58	60	63	59	56	51	50	41	41	42	61	55	53	

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	1998		1999		
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	46	49	57	52	51
MANUFACTURING	47	49	54	51	57
Nondurables	47	48	55	45	60
Food, Textiles, Apparel	54	40	25	38	50
Paper, Printing, Publishing	48	57	69	38	58
Chemicals, Petroleum, Rubber	39	45	58	53	62
Durables	46	50	53	55	55
Metals	34	48	50	50	52
Machinery	50	50	64	75	69
SERVICES	43	55	59	48	50
Utilities	43	67	67	63	63
Wholesale & Retail Trade	40	42	46	45	42
Banking and Finance	33	63	50	25	75
Insurance	50	44	70	25	46
Business Services	58	50	38	38	42

Table 3: CURRENT CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	1998		1999		
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	41	42	61	55	53
MANUFACTURING	38	41	58	54	50
Nondurables	34	33	57	47	50
Food, Textiles, Apparel	42	30	30	50	25
Paper, Printing, Publishing	30	50	75	50	58
Chemicals, Petroleum, Rubber	32	23	56	44	48
Durables	40	46	60	58	49
Metals	31	41	55	54	52
Machinery	39	46	64	75	53
SERVICES	45	57	61	52	57
Utilities	54	63	63	63	63
Wholesale & Retail Trade	48	58	63	60	50
Banking and Finance	33	63	50	75	75
Insurance	38	56	65	25	46
Business Services	50	55	56	38	50

Table 4: AVERAGE ESTIMATED CHANGE IN SELLING PRICES IN OWN INDUSTRY FOR 1998 - 99 AND 1999 - 2

	Estimate	Prediction
	1998 - 99	1999 - 2000
	<i>Average Change in Prices</i>	
ALL INDUSTRIES	3.0%	3.3%
Manufacturing Nondurables	5.1	10.9
Manufacturing Durables	1.7	0.4
Mining	-	1.0
Utilities	1.0	-1.5
Trade	2.2	1.8
Insurance	9.0	3.8
Business Services	4.2	0.5

Table 5: ESTIMATED CHANGE IN SELLING PRICES FOR 1999 - 2000

	Percent of Respondents
Down	14%
No Change	23%
Up Less Than 4%	40%
Up 4% - 5%	11%
Up 6% - 9%	6%
Up 10% or more	6%

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

This report is prepared by
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