



Business Executives' Expectations

Business Confidence Improves

The Conference Board's Measure of Business Confidence, which had declined to 53 in the first quarter of 2003, improved to 60 in the second quarter of 2003. (A reading of more than 50 points reflects more positive than negative responses.)

CEOs' overall assessment of current conditions improved substantially in the second quarter of 2003, with the measure of current economic conditions surging to 55 from 40. The increase was caused by a sharp rise in the percentage of CEOs stating that current economic conditions have improved – 35 percent versus 15 percent last quarter. In assessing their own industries, the measure increased to 52 from 38. Close to 33 percent of respondents say conditions have improved, up from 19 percent in the prior survey.

In looking ahead, expectations are more upbeat. Business leaders outlook for the economy is much more optimistic than last quarter - the measure rose to 66 up from 60. Industry expectations remain unchanged at 60.

Profits are Anticipated to Increase

On the issue of profit expectations over the next twelve months, approximately 65 percent of executives anticipate increases. However, there are differences by category of business. About 67 percent of executives in the services industry expect an increase. But among manufacturers there are large differences between the durable and non-durable goods sectors, 77 percent versus 44 percent, respectively.

Among executives who expect profits to rise, 37 percent cite cost reductions, with 28 percent citing an increases in market/demand growth and an equal proportion citing new technology as the main sources of improvement. The remaining 8 percent of CEOs believe a rise in profits will occur as the result of price increases.

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Business Confidence and Changes in GDP



Table 1: Business Executives Confidence

	2000			2001				2002				2003	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Measure of Business Confidence	46	47	31	45	52	48	40	66	61	54	58	53	60
1. Current Economic Conditions vs. 6 Months Ago	49	47	26	29	38	32	18	60	61	45	52	40	55
2. Expectations for Economy, 6 Months Ahead	41	45	32	51	59	56	50	72	63	60	63	60	66
3. Expectations for Own Industry, 6 Months Ahead	49	48	35	55	58	54	52	65	59	58	59	60	60
Current Conditions in Own Industry vs. 6 Months Ago	56	49	39	38	39	33	27	51	60	42	49	38	52

Table 2: Expectations of Business Conditions in Own Industry 6 Months Hence

	2002			2003	
	Q2	Q3	Q4	Q1	Q2
All Industries	59	58	59	60	60
Manufacturing	64	58	50	62	62
Nondurables	60	56	48	63	54
Food, Textiles, Apparel	75	50	33	25	38
Paper, Printing, Publishing	67	65	50	44	38
Chemicals, Petroleum, Rubber	65	54	52	73	59
Durables	61	63	51	59	68
Metals	63	45	50	63	63
Machinery	61	73	56	64	75
Services	64	63	59	61	63
Utilities	67	61	50	54	61
Wholesale & Retail Trade	60	53	63	53	57
Banking and Finance	67	50	50	66	69
Insurance	67	71	75	68	64
Business Services	75	61	50	62	69

Table 3: Current Conditions in Own Industry Compared With 6 Months Ago

	2002			2003	
	Q2	Q3	Q4	Q1	Q2
All Industries	60	42	49	38	52
Manufacturing	67	48	46	46	44
Nondurables	67	45	45	43	39
Food, Textiles, Apparel	58	38	42	25	25
Paper, Printing, Publishing	67	55	60	50	38
Chemicals, Petroleum, Rubber	68	43	40	42	41
Durables	68	51	46	46	47
Metals	69	50	45	46	31
Machinery	68	48	47	54	53
Services	56	44	45	40	54
Utilities	42	25	25	50	61
Wholesale & Retail Trade	35	41	41	25	32
Banking and Finance	50	25	38	47	75
Insurance	72	54	59	43	50
Business Services	65	47	44	41	56

Table 4: What Are Your Firm's Profit Expectations for the Next 12 Months?

	All Industries	Manufacturing		Services
		Durables	Nondurables	
Increase Substantially	10%	18%	11%	5%
Increase Moderately	55	59	33	62
Remain the same	23	18	39	21
Decrease	12	5	17	12

Table 5: If You Expect Profits to Increase, Which Do You Foresee as the Prime Source of Improvement?

	All Industries	Manufacturing		Services
		Durables	Nondurables	
Market/Demand Growth	28%	40%	10%	38%
Cost Reduction	37	55	70	45
Price Increase	8	0	20	10
New Technology	28	5	0	7

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.