National Association for Business Economics
January 2012 | Industry Survey

Industry Survey

New NABE Survey Shows Increased Optimism about GDP, Fewer Price Pressures

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For further information contact:
Media: Melissa Golding | 571-236-2820 | melissag@nabe.com
Economists: Nayantara Hensel | 917-488-0524 | nayantarahensel@sbcglobal.net
Tim Gill | 703-841-3298 | tim_gill@nema.org
Chad Moutray | 202-637-3148 | CMoutray@nam.org
Ken Simonson | 703-837-5313 | simonsonk@agc.org

The January 2012 NABE Industry Survey report presents the responses of 63 NABE members to a survey conducted between December 15, 2011, and January 5, 2012, on business conditions in their firm or industry and reflects fourth-quarter 2011 results and the near-term outlook.

COMMENTS

"The survey results suggest increased optimism concerning real GDP growth, as well as fewer inflationary or deflationary pressures," said **Dr. Nayantara Hensel, Professor of Industry and Business at National Defense University.** "About two-thirds of NABE Industry Survey panelists expect that real GDP will grow at a rate exceeding 2% between the fourth quarter of 2011 and the fourth quarter of 2012. Over 80% of respondents reported unchanged or rising sales and profit margins. The survey results also suggest greater stability in prices. Nearly all respondents expect that non-labor input prices will remain unchanged or rise by 5% or less. Over 70% of respondents reported that wages and salaries have remained unchanged. The share of respondents reporting unchanged prices charged (78%) is the highest share in recent surveys and almost all respondents expect either no change in prices or minor price increases by their companies of 5% or less. Materials costs rose for 31% of respondents and were unchanged for 59% of them, which suggests a continued trend toward greater stability in materials prices. Although the share of respondents expecting increasing employment over the next six months continues to fall relative to prior quarters, almost two-thirds of respondents expect no change in employment—the highest percentage of panelists holding such a view in recent quarters. A greater share of respondents reported rising capital spending in the fourth quarter than the previous quarter, which suggests improvement in the economy. Surprisingly, a significant share of the respondents are not overly concerned about the impact on their businesses of the European debt crisis, the payroll tax cut, or the Super Committee's lack of success in developing debt reduction plans."

This NABE survey provides insights into these questions:

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202-463-6223 | 202-463-6239 fax | nabe@nabe.com | www.nabe.com

HIGHLIGHTS

- **The respondents in the January 2012 survey are more optimistic** than in the previous survey in their forecasts about real GDP growth, and somewhat closer to the more optimistic forecasts of real GDP growth in the prior surveys in that 65% of respondents expect that real GDP will grow at a rate exceeding 2% between the fourth quarter of 2011 and the fourth quarter of 2012. This is an improvement on the 2011 forecasts of real GDP growth in the last survey in October, in which only 16% of respondents expected real GDP growth over 2% between the fourth quarter of 2010 and the fourth quarter of 2011. Only 28% of respondents suggested real GDP would grow between 1.1% and 2% in the January survey, compared to the 70% who held this view in the prior survey. In both the current and previous surveys, however, very few respondents expected real GDP growth of over 3%.
- **Sales continued to weaken for respondents in the January 2012 survey.** Two out of five (about 41%) of NABE panelists reported unchanged sales and a similar share reported rising sales. Nevertheless, 19% reported *falling* sales, which is the highest share of respondents indicating falling sales in recent quarters. Between 40% and 50% of respondents in the goods-producing, services, and the transportation, utilities, information, and communications sectors (TUIC) reported rising sales, while between 25% and 32% of respondents in those same sectors reported falling sales. Almost two-thirds (65%) of NABE panelists from the finance, insurance, and real estate sector (FIRE), however, reported unchanged sales and no respondents reported falling sales.
- **Nearly one-third of respondents reported rising profit margins**, with more than half (55%) indicating that profit margins were unchanged, and 15% of respondents indicating profit margins had fallen. This is similar to results reported for the prior two quarters. Between 25% and 30% of respondents in the services, goods-producing, and FIRE sectors reported rising profit margins while 50% to 61% reported that profit margins were unchanged. The highest share of respondents reporting rising profit margins were from the TUIC sector (43%); indeed, no respondents from this sector reported falling profit margins. Between one-quarter and one-fifth of respondents in the goods-producing and services sectors reported falling profit margins.
- **The survey results suggest greater stability in prices** with less inflationary or deflationary pressures than those reported in recent surveys. In the current survey, a smaller share of respondents indicated their companies charged higher prices than in any recent survey since January 2011. The percentage of NABE panelists reporting prices were unchanged (78%) was the highest share in recent surveys. Indeed, all (100%) respondents from firms in the TUIC sector reported unchanged prices, with over 80% of respondents in the FIRE and services sectors also reporting unchanged prices. Of those respondents from the goods-producing sector, however, 70% indicated rising prices with none (0%) reporting falling prices. The previous survey (October 2011) reflected less strong price pressure in the goods-producing sector than the current survey reflected, and more upward price pressures in the TUIC and FIRE sectors.
- **None of the NABE Industry Survey panelists expect the prices** of their products to rise or fall by more than 5% over the next three months, which also indicated price stability. Indeed, 65% of them expect prices to be unchanged, and 32% expect a minor price increase of 5% or less. The current survey is the only one in recent quarters in which no respondents suggested significant price increases.
- **Materials costs rose in 31% of companies represented by respondents** and were unchanged in 59% of them. These results are similar to those from the prior survey The surveys in the first and second quarters of 2011 had double the percentage reporting rising materials costs. About one-third of respondents in each sector reported rising materials costs and between 50% and 65% reported materials costs were unchanged. Around one-fifth of respondents in the goods-producing and TUIC sectors reported falling materials costs.

- **Over 90% of respondents expect that non-labor input prices** will remain unchanged or rise by 5% or less. That share is greater than the percentage that held such views in the previous quarter (82%). Indeed, in the previous survey, more respondents expected prices would fall 5% or less (4% vs. 16% in the prior quarter) and fewer respondents expected prices to rise by 5% or less (36% vs. 25% in the prior quarter). This suggests a continued trend in price stability.
- **Over 70% of respondents report that wages and salaries were unchanged**, which is similar to the results in the last two surveys. Still, over one-quarter of respondents reported rising wages/salaries, which is an increase from the 19% of respondents who indicated rising wages/salaries in the previous survey. This result reinforces other findings in the survey which suggest overall price stability, although it also suggests some improvement in the labor market with a larger share reporting rising wages/salaries.
- **Over 70% of NABE Industry Survey panelists report no shortages**, which is similar to the previous quarter's results. As in prior surveys, around one-fifth of respondents found shortages in skilled labor, which has been a consistent and stable pattern.
- **Almost one-third of respondents reported rising employment**, and over 60% reported employment as unchanged, which is similar to results in the previous survey. Since over 90% of respondents suggest rising or unchanged employment, this, combined with the higher share of respondents reporting higher wages/salaries, may suggest some improvement in the labor market. The smallest share of respondents reporting rising employment were those from the TUIC sector, and those from the FIRE sector had the greatest share reporting rising employment. In both the goods-producing and the TUIC sectors, between one-quarter and one-fifth of respondents reporting falling employment.
- **The share of respondents expecting their firm to increase employment** over the next 6 months continues to fall relative to the share of respondents expecting their firm to increase employment in prior surveys, although almost two-thirds of respondents expect no change in the employment of their firms. The two-thirds share of respondents expecting no change in the employment of their firms is the highest share in recent quarters and suggests increasing stability. The sectors with the highest share of respondents expecting an increase in employment over the next six months are FIRE and services. About 20% of respondents in the goods-producing sector expect a decrease in employment through attrition, while 70% of respondents expect no change.
- **A greater share of respondents (42%) report rising capital spending** in the January 2012 survey than in the previous survey. Unlike the prior survey, in which more respondents reported unchanged capital spending relative to capital spending increases (60% vs.33%), in the current survey respondents split between unchanged (49%) and rising (42%). Respondents from the TUIC sector accounted for the highest share of those reporting a rise in capital spending (71%), while those from the goods-producing sector accounted for the lowest share reporting rising capital spending (33%), and the highest share reporting unchanged capital spending (67%). Over 70% respondents believe that capital spending will stay the same over the next 12 months or increase by 10% or less, although almost one-quarter suggest that it will increase by more than 10%.
- **Nearly three-quarters of respondents indicated no change** in the share of their companies' overseas sales over the past three months. The bulk of survey respondents suggest that the European debt crisis has led to no change in their organization's sales or, a decrease in sales of 10% or less. About 63% of respondents expect that there will be no impact from the European debt crisis on sales over the next six months.
- **About 92% of respondents forecast their company's costs** would stay the same or increase by 5% or less if the payroll tax cut were not extended.
- **About half of respondents did not feel that the failure** of the Super Committee to develop debt reduction plans would impact their business. Just slightly more than one out of five (21%) predict there will be fewer purchases by the U.S. government and about 27% of respondents expect fewer consumer purchases.

See last page for details on survey participation and definitions.

DETAILED RESULTS

Industry Sales

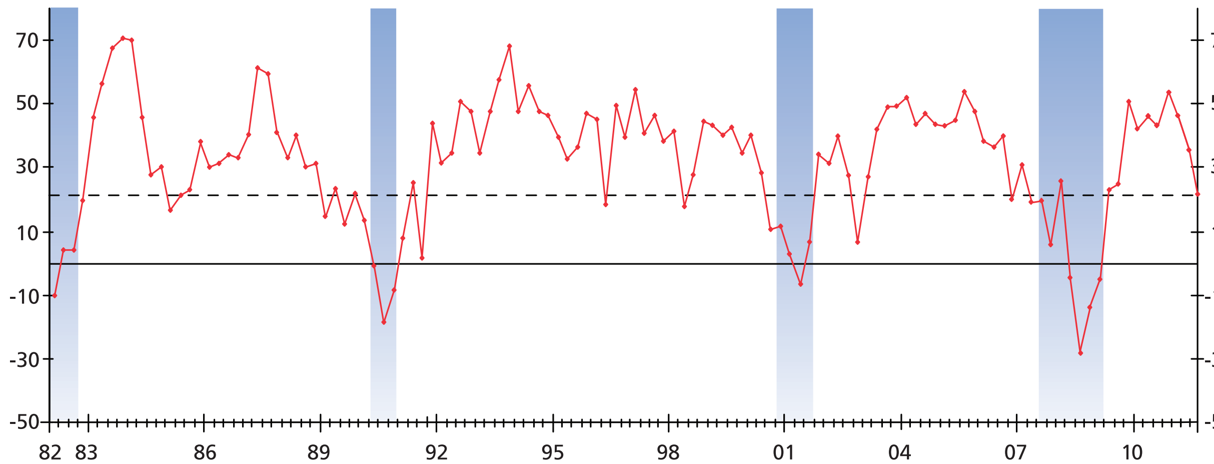
Sales growth continued to weaken, according to respondents in the January 2012 NABE Industry Survey. About 41% of respondents reported unchanged sales and a similar share reported rising sales. At the same time, 19% reported falling sales, which is the highest share of respondents indicating falling sales in recent quarters. The share of respondents (41%) who reported that sales were rising was lower compared to the 49% who indicated the same in the October survey, and significantly lower than the 55%-63% of respondents reporting rising sales in the July 2011, April 2011, and January 2011 surveys. The January 2012 survey results reflected the highest share of respondents reporting falling sales (19%), exceeding the 8%-13% who did so in the prior quarters. Overall, more than 80% of respondents across *all* sectors reported rising or unchanged sales. However, almost one-third of respondents in the goods-producing, TUIC and services sectors reported falling sales, while none of the respondents from the FIRE sector reported falling sales. The majority of respondents (between 40% and 50%) in the goods-producing sector, the TUIC sector, and the services sector reported rising sales, between 23% and 30% reported unchanged sales, and between 25% and 32% reported falling sales. Results from FIRE sector respondents differed from these other sectors in that a much higher share of respondents (65%) reported unchanged sales, 0% reported falling sales, but only 35% reported rising sales. Nevertheless, sales in these sectors have fallen relative to the last survey in October in which between 38% (services) and 64% (goods-producing sector) of respondents reported rising sales, and between 7% (goods-producing) and 24% (services) reported falling sales.

Percent of total respondents (63) reporting that sales are:

Survey Month	Rising	Unchanged	Falling	NRI	
January '12	**41**	**40**	**19**	**22**	
October '11	49	38	13	36	
July '11	56	36	8	47	
April '11	63	29	9	54	
January '11	55	33	12	43	
By Sector- Jan '12					*No. responding*
Goods-producing	**40**	**30**	**30**	**10**	*10*
TUIC	**50**	**25**	**25**	**25**	*8*
FIRE	**35**	**65**	**0**	**35**	*23*
Services	**45**	**23**	**32**	**14**	*22*

Note: In this and all tables, percentages may not sum to 100% due to rounding.

Figure 1 - Sales Net Rising Index



Note: In this and all figures, shaded areas represent recessions. Dashed line shows current level.

Profits

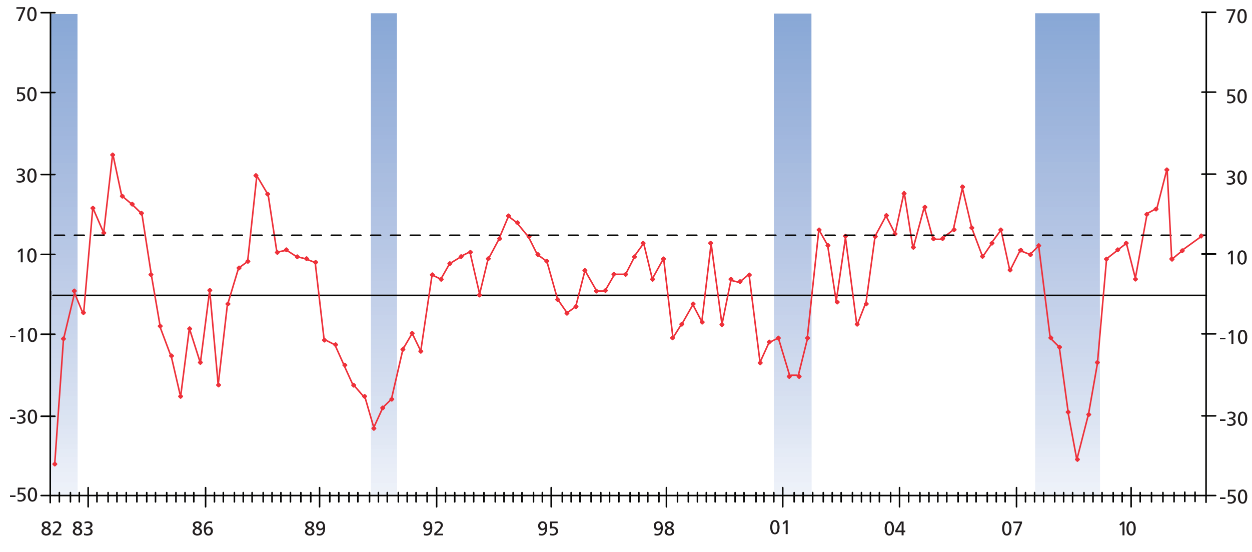
The January 2012 survey results show that a slightly rising share of companies (30% of respondents) are reporting increasing profit margins, which is close to the share of respondents reporting increasing profit margins in the last two surveys (27% in October and 29% in July). This continues to be lower than the share that reported rising profit margins in the April 2011 and January 2011 surveys. The share of respondents reporting unchanged profit margins has ranged from 51%-58% over the past three quarters, but continues to be much higher than the share reporting unchanged profit margins in the April 2011 and January 2011 surveys. Only 15% of respondents reported falling profit margins, which is the lowest share since April 2011.

Respondents from the TUIC sector had the highest share (43%) reporting rising profit margins and none of the respondents from this sector indicated their companies had experienced falling profit margins. At least a quarter to almost a third (25% to 30%) of those respondents from the goods-producing sector, the FIRE sector, and the services sector indicated their companies experienced rising profit margins, although fewer respondents from the FIRE sector indicated falling profit margins and a greater share experienced unchanged profit margins than the share of respondents from the goods-producing and services sectors.

Percent of total respondents (60) reporting that profit margins are:

Survey Month	Rising	Unchanged	Falling	NRI	
January '12	**30**	**55**	**15**	**15**	
October '11	27	58	16	11	
July '11	29	51	20	9	
April '11	45	40	15	31	
January '11	38	44	18	21	
By Sector- Jan '12					*No. responding*
Goods-producing	**30**	**50**	**20**	**10**	*10*
TUIC	**43**	**57**	**0**	**43**	*7*
FIRE	**30**	**61**	**9**	**22**	*23*
Services	**25**	**50**	**25**	**0**	*20*

Figure 2 - Profit Margins Net Rising Index



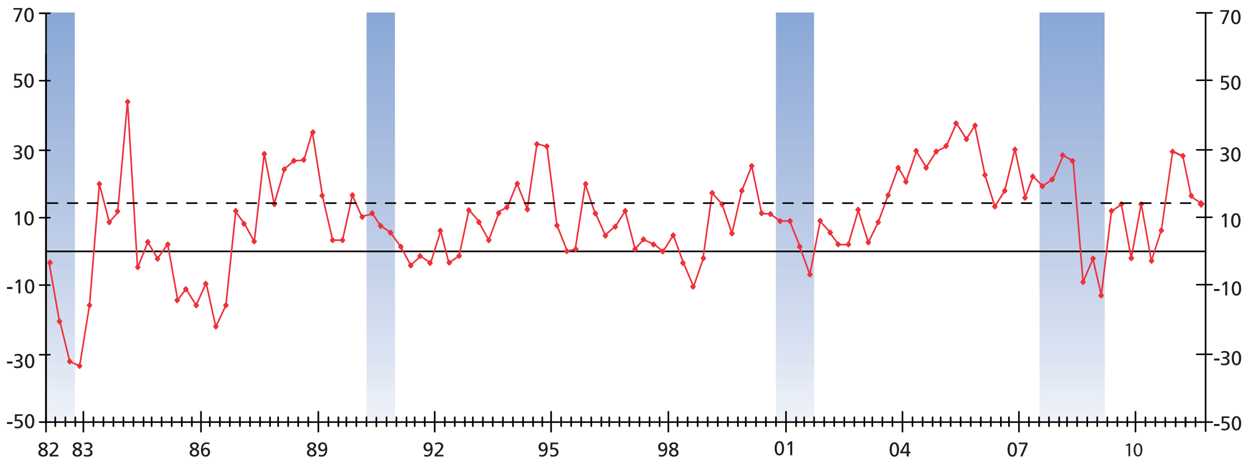
Prices Charged

The January 2012 survey results suggest that a lower share of respondents charged higher prices than in any recent survey since the January 2011 survey; the share of respondents reporting unchanged prices (78%) is the highest share in recent surveys. This suggests greater stability in prices with less inflationary or deflationary pressures than that reflected in recent surveys. Indeed, 100% of firms in the TUIC sector had unchanged prices, with over 80% of respondents from the FIRE and services sectors also reporting unchanged prices. However, 70% of respondents from companies in the goods-producing sector reported rising prices and 0% reported falling prices. The prior survey in October 2011 reflected less strong price pressure in the goods-producing sector than in the current survey, and more upward price pressures evident in the TUIC and FIRE sectors.

Percent of total respondents (60) reporting prices charged by their firms are:

Survey Month	Rising	Unchanged	Falling	NRI	
January '12	**18**	**78**	**3**	**15**	
October '11	25	66	9	16	
July '11	31	66	3	28	
April '11	35	59	6	29	
January '11	16	74	10	6	
By Sector- Jan '12					*No. Responding*
Goods-producing	**70**	**30**	**0**	**70**	*10*
TUIC	**0**	**100**	**0**	**0**	*8*
FIRE	**9**	**87**	**4**	**4**	*23*
Services	**11**	**84**	**5**	**5**	*19*

Figure 3 - Prices Charged Net Rising Index



In the January 2012 survey, none of the respondents expected their company's prices to rise or fall by more than 5% over the next three months. Indeed, 65% of them expect prices to remain unchanged, and 32% expect a minor price increase of 5% or less. While the bulk of respondents in prior surveys indicated that their firms would have no price change in the following three months, and only a small percentage expected significant price increases or decreases of more than 5%, the current survey is the only one in recent quarters in which no respondents indicated significant price increases.

Percent of total respondents (60) reporting they expect prices charged over the next three months will:

	Jan '12	Oct '11	Jul '11	Apr '11	Jan '11
Fall more than 5%	**0**	5	1	0	0
Fall 5% or less	**3**	9	3	3	5
Will not change	**65**	67	58	56	57
Rise 5% or less	**32**	17	33	37	31
Rise more than 5%	**0**	3	4	4	6
NRI (all rising less falling)	**28**	6	33	38	32

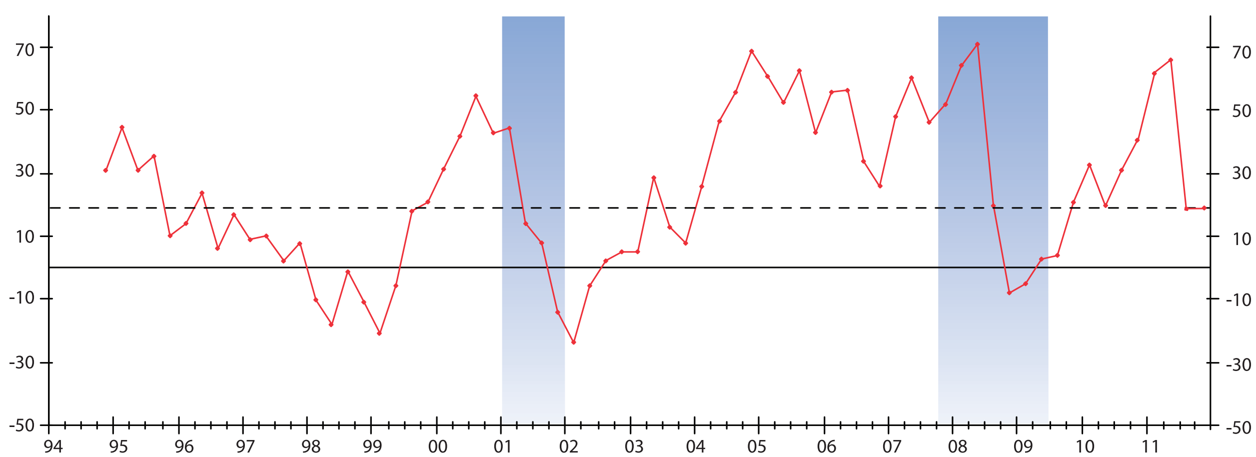
Costs

While materials costs rose for 31% of respondents, they were unchanged for 59% of them. Indeed, the difference between the share of respondents reporting rising costs and those reporting falling costs (as measured by the NRI) was markedly lower in the January 2012 and the October 2011 surveys than in the previous surveys in January, April, and July of 2011. The share of panelists reporting increasing materials costs at their firms dropped by more than half between the July 2011 and January 2012 surveys—from 69% to 31%, while the share reporting materials costs were unchanged rose from 29% in the July 2011 survey to 59% in the January 2012 survey. Moreover, the share claiming that costs *fell* was 10% in the January 2012 survey, down slightly from the 13% who reported falling costs in October 2011, but higher than the percentage who reported the same in April 2011 (0%). This suggests that there is a more significant trend toward respondents experiencing unchanged materials costs and less of an impetus toward rising materials costs in the recent quarters than in the prior quarters. Between 29% and 33% of the respondents across all sectors reported their companies experienced rising materials costs, and between 50%-65% of respondents reported unchanged materials costs. A higher share of respondents from the goods-producing and TUIC sectors indicated that their companies experienced falling materials costs (17%-20%) relative to those from the other two sectors. Compared to the October survey results, the share of goods-producing respondents experiencing higher materials costs was less in the current survey (30% vs. 54% in the October survey) and a higher share of services respondents reported higher prices (31% vs. 18% in the October survey).

Percent of total respondents (49) reporting that materials costs are:

Survey month	Rising	Unchanged	Falling	NRI	
January '12	**31**	**59**	**10**	**20**	
October '11	33	53	13	20	
July '11	69	29	2	67	
April '11	63	38	0	63	
January '11	48	45	7	41	
By Sector-Jan '12					*No. responding*
Goods-producing	**30**	**50**	**20**	**10**	*10*
TUIC	**33**	**50**	**17**	**17**	*6*
FIRE	**29**	**65**	**6**	**24**	*17*
Services	**31**	**63**	**6**	**25**	*16*

Figure 4 - Materials Costs Net Rising Index



A higher share of respondents in the January 2012 and October 2011 surveys expect that primary non-labor input prices will remain unchanged than in the earlier surveys (January, April, and July 2011). Results from the three earlier surveys suggested that a greater share of respondents expected small price increases of 5% or less. Note that although the share of respondents expecting a 5% or less price increase is lower in the January 2012 survey than in the January, April, and July 2011 surveys, it is higher than in the October 2011 survey.

Percent of total respondents (47) reporting expected change in primary non-labor input prices over the next three months:

	Jan '12	Oct '11	July '11	Apr '11	Jan '11
Fall more than 5%	**0**	0	4	2	0
Fall 5% or less	**4**	16	9	0	5
Will not change	**55**	57	34	32	39
Rise 5% or less	**36**	25	46	57	47
Rise more than 5%	**4**	2	7	9	9
Net rising (all rising less falling)	**36**	11	41	64	52

The share of panelists whose firms saw wage and salary gains rose to 26% in the fourth quarter of 2011. It had slipped to 19% in the prior quarter from an average of nearly 32% in the first half of the year. Similar to results from the last several quarters, the share of respondents reporting falling wages and salaries at their firm was in the low single digits at 3% in the January 2012 survey.

Percent of total respondents (62) reporting that wages and salaries are:

Survey month	Rising	Unchanged	Falling	NRI
January '12	**26**	**71**	**3**	**23**
October '11	19	76	4	15
July '11	28	72	0	28
April '11	35	62	3	32
January '11	16	80	4	13

Shortages

Input shortages were on the decline in the fourth quarter of 2011, with 72% of panelists reporting no supply constraints at their firms, the highest percentage in recent surveys. A little over one-fifth of panelists listed skilled labor as being in short supply, while 7% pinpointed a shortage in intermediate inputs. The share of respondents experiencing shortages in skilled labor is higher in the current survey than in the October 2011 survey, but down from the July 2011 survey. Notably, none of the panelists identified raw material inputs in short supply. As recently as October, 10% of panelists had done so.

Percent of total (60) reporting shortages in survey month:

Type of input	Jan '12	Oct '11	July '11	Apr '11	Jan '11
Skilled labor	**21**	17	23	17	17
Unskilled labor	**0**	0	1	0	0
Intermediate inputs	**7**	3	8	7	7
Raw material inputs	**0**	10	3	6	8
Capital goods	**0**	0	5	1	0
No shortages	**72**	70	59	69	67

Note: Columns sum to more than 100% if respondents listed multiple shortages.

Employment

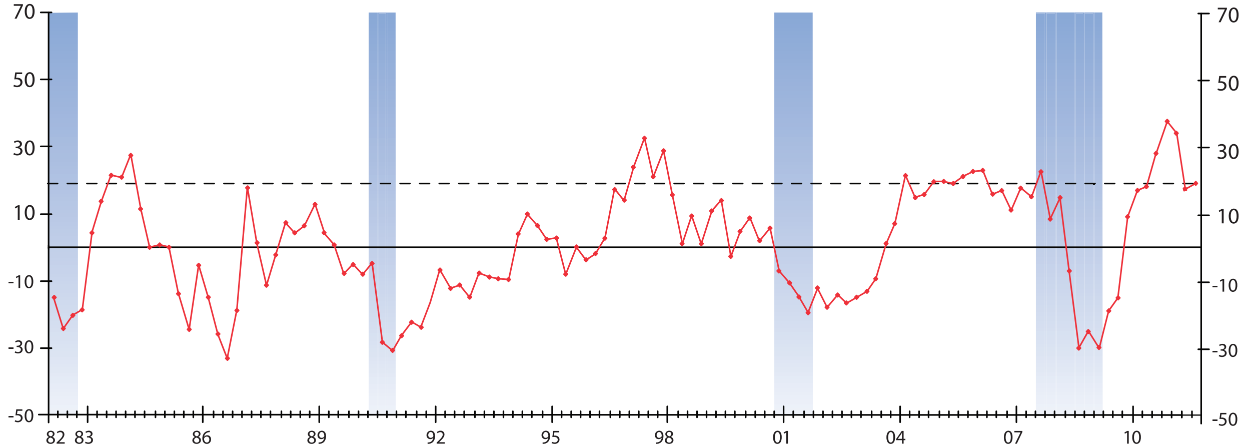
As is similar to the October survey results, fewer respondents in the January survey reported employment had risen in their firms than in the July, April, or January 2011 surveys. A higher share of respondents suggests that employment is unchanged (62%) relative to the share in prior surveys. About 10% of respondents suggested that employment is declining, less than the percentage indicating the same in the October 2011 survey, but higher than the share reporting that result in the January, April, and July 2011 surveys. About 20%-25% of respondents in the goods-producing and TUIC sectors suggest falling employment. The services sector, which (with the FIRE sector) has over 30% of respondents suggesting rising employment, is the only sector which has no respondents suggesting falling employment. The largest share—between 57% and 63%—of respondents across all sectors suggests that employment is unchanged. Relative to the October survey, the share of respondents experiencing rising employment in the January survey has fallen in both the goods-producing and TUIC sectors (20% vs. 36% in October and 13% vs. 30% in October, respectively). In the previous survey, no respondents in the goods-producing sector found falling employment; in the current survey, 20% of respondents see falling employment in that sector.

Percent of total respondents (63) reporting that employment in their firms in the past three months has been:

Survey Month	Rising	Unchanged	Falling	NRI
January '12	**29**	**62**	**10**	**19**
October '11	30	57	13	17
July '11	42	49	8	34
April '11	40	57	3	37
January '11	34	60	6	28

By Sector- Jan '12					*No. responding*
Goods-producing	**20**	**60**	**20**	**0**	*10*
TUIC	**13**	**63**	**25**	**-13**	*8*
FIRE	**35**	**57**	**9**	**26**	*23*
Services	**32**	**68**	**0**	**32**	*22*

Figure 5 - Employment Net Rising Index



Employment Outlook

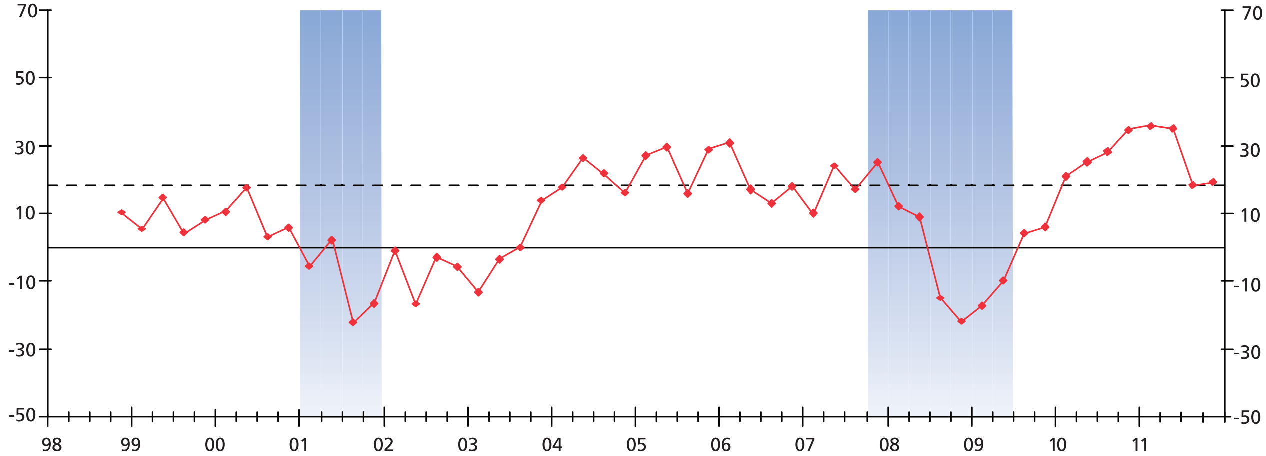
The share of respondents expecting increasing employment over the next 6 months continues to fall relative to prior surveys, and the share of respondents expecting no change continues to increase. As in prior surveys, only a small share of respondents expects decreasing employment through attrition or layoffs. The sectors with the highest share of respondents expecting an increase in employment over the next six months are FIRE and Services. Across all sectors, the greatest share of respondents (between 59% and 70%) expects no change in employment over the next six months; 70% of respondents in the goods-producing sector expect this. About 20% of respondents in the goods-producing sector expect a decrease through attrition.

Percent of total respondents (59) reporting that in the next six months employment will:

	Jan '12	Oct '11	July '11	Apr '11	Jan '11
Increase	**27**	29	43	40	42
No change	**64**	59	49	56	51
Decrease through attrition	**5**	9	8	4	6
Decrease through significant layoffs	**3**	3	0	0	1
NRI (increase less all decreases)	**19**	18	35	36	35

By Sector-Jan '12	Goods-Producing	TUIC	FIRE	Services
Increase	**10**	13	36	32
No change	**70**	63	59	68
Decrease through attrition	**20**	13	0	0
Decrease through significant layoffs	**0**	13	5	0
NRI (increase less all decreases)	**-10**	-13	32	32
Number responding	*10*	*8*	*22*	*19*

Figure 6 - Expected Employment Net Rising Index



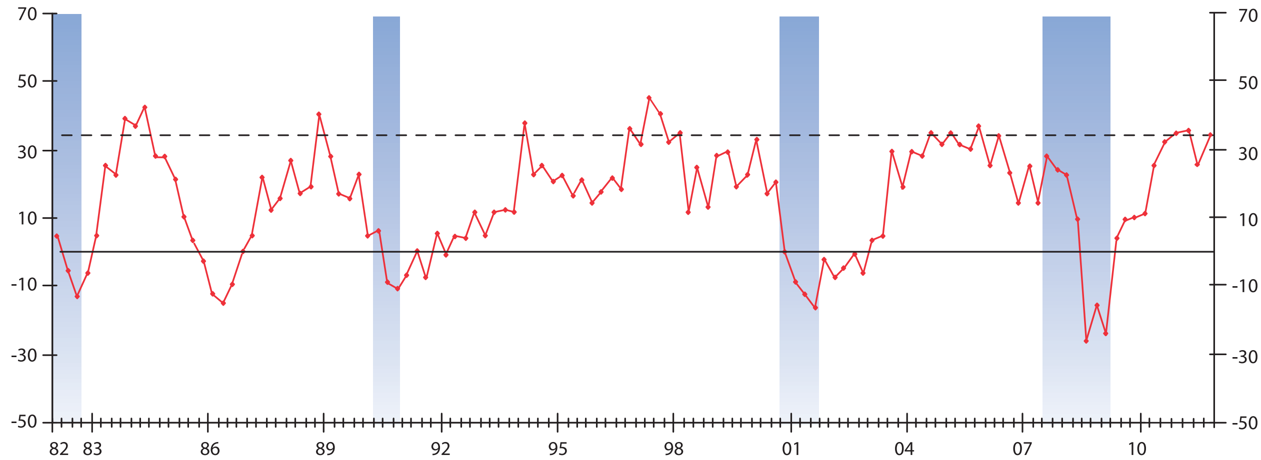
Capital Spending

A greater share of respondents (42%) reported rising capital spending in the January 2012 survey than the share that did so in previous surveys. Unlike the October 2011 survey, in which more respondents reported unchanged capital spending relative to capital spending increases (60% vs.33%), the current survey respondents split between unchanged (49%) and rising (42%). The TUIC sector respondents accounted for the highest share reporting a rise in capital spending (71%), while the goods-producing sector had the lowest share of respondents reporting rising capital spending (33%), and the highest share reporting unchanged capital spending (67%). None of the respondents reported falling capital spending in the goods-producing and TUIC sectors, although 15% of respondents in the services sector did so.

Percent of total reporting (59) that capital spending is:

Survey Month	Rising	Unchanged	Falling	NRI	
January '12	**42**	**49**	**8**	**34**	
October '11	33	60	7	25	
July '11	41	53	6	36	
April '11	38	59	3	35	
January '11	38	55	6	32	
By Sector- Jan '12					*No. responding*
Goods-producing	**33**	**67**	**0**	**33**	*9*
TUIC	**71**	**29**	**0**	**71**	*7*
FIRE	**39**	**52**	**9**	**30**	*23*
Services	**40**	**45**	**15**	**25**	*20*

Figure 7 - Capital Spending Net Rising Index



About 42% of respondents believe that capital spending will stay the same over the next 12 months, 30% suggest that it will increase by 10% or less, and 23% suggest that it will increase by more than 10%. Relative to the previous survey, a higher share of respondents suggest that capital spending will increase by more than 10% (23% vs. 15% in the October survey), suggesting an improved outlook. About 40% or more of respondents in the goods-producing, FIRE, and services sectors expect capital spending to remain about the same. About 38%-40% of respondents expect capital spending to increase by more than 10%. No respondents (from any of the sectors) expect capital spending to fall by more than 10%.

Percent of total reporting (60) that capital spending over the next 12 months will:

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**23**	**40**	**38**	**13**	**21**
Increase 10% or less	**30**	**20**	**25**	**39**	**26**
Stay about the same	**42**	**40**	**25**	**43**	**47**
Decrease 10% or less	**5**	**0**	**13**	**4**	**5**
Decrease more than 10%	**0**	**0**	**0**	**0**	**0**
NRI (all increases less decreases)	**48**	**60**	**50**	**48**	**42**
Number reporting	*60*	*10*	*8*	*23*	*19*

Very few respondents expect spending on computers and communications equipment to fall over the next 12 months. The bulk of respondents across all sectors expect capital spending to stay the same or to increase by 10% or less. About 17% of respondents expect that spending on computers and communications equipment will increase over the next 12 months.

Percent of total reporting (63) that spending on computers and communications equipment over the next 12 months will:

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**17**	**13**	**14**	**9**	**27**
Increase 10% or less	**37**	**25**	**29**	**48**	**32**
Stay about the same	**38**	**63**	**29**	**35**	**36**
Decrease 10% or less	**7**	**0**	**29**	**9**	**0**
Decrease more than 10%	**2**	**0**	**0**	**0**	**5**
NRI (all increases less decreases)	**45**	**38**	**14**	**48**	**55**
Number reporting	*60*	*8*	*7*	*23*	*22*

About 60% of respondents believe that capital spending on structures over the next year will stay the same. Very few respondents expect spending on structures to fall by 10% or less, and no respondents expect it to fall by more than 10%.

Percent of total reporting (42) that spending on structures over the next 12 months will:

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**12**	**38**	**29**	**0**	**0**
Increase 10% or less	**24**	**13**	**29**	**33**	**17**
Stay about the same	**60**	**50**	**29**	**60**	**83**
Decrease 10% or less	**5**	**0**	**14**	**7**	**0**
Decrease more than 10%	**0**	**0**	**0**	**0**	**0**
NRI (all increases less decreases)	**31**	**50**	**43**	**27**	**17**
Number reporting	*42*	*8*	*7*	*15*	*12*

International Sales

Just over half the NABE Industry Survey panelists in the January 2012 survey reported that some portion of their firm's sales came from foreign-based operations, while 14% indicated that their companies received more than half of their sales from foreign-based operations. Proportionally, goods-producers had the largest foreign presence, with 80% of respondents from this sector reporting some sales—and 50% reporting that more than half of their company's sales—came from operations abroad. The remaining three sectors had a much smaller cross-border footprint. Most TUIC firms and 45% of FIRE and services firms, respectively, had no sales from foreign-based operations. No respondents from firms in the services sector reported having more than half of sales from foreign operations.

Percent of total respondents (59) reporting their company's share of sales from foreign-based operations:

	Total	Goods-Producing	TUIC	FIRE	Services
0%	44	20	71	45	45
1-25%	31	30	14	25	41
26-50%	12	0	0	20	14
51% or higher	14	50	14	10	0
Number responding	*59*	*10*	*7*	*20*	*22*

Sixteen percent of respondents reported that their sales from foreign-based operations increased in the last quarter of 2011, while 13% reported a decrease, and 71% of respondents reported that their overseas sales over the past three months were unchanged. The bulk of respondents across sectors reported that their company's overseas sales over the past three months had remained unchanged.

Percent of total respondents (38) reporting that over the past three months their company's share of sales from foreign-based operations has been:

	Rising	Unchanged	Falling	NRI	*No. responding*
Total	**16**	**71**	**13**	**3**	*38*
Goods-producing	**13**	**50**	**38**	**-25**	*8*
TUIC	**0**	**100**	**0**	**0**	*3*
FIRE	**8**	**83**	**8**	**0**	*12*
Services	**27**	**67**	**7**	**20**	*15*

2012 GDP Forecast Underpinning Current Planning

The respondents in the January 2012 survey are more optimistic than in the previous survey in their forecasts about real GDP growth, and somewhat closer to the more optimistic forecasts of real GDP growth in the prior surveys in that 65% of respondents expect that real GDP will grow at a rate exceeding 2% between the fourth quarter of 2011 and the fourth quarter of 2012. This is an improvement on the 2011 forecasts of real GDP growth in the last survey in October, in which only 16% of respondents suggested real GDP growth over 2% between the fourth quarter of 2010 and the fourth quarter of 2011. In this survey and the prior survey, however, very few respondents expected real GDP growth of over 3%; the share of respondents had much higher year-on-year quarterly forecasts in the January 2011, April 2011, and July 2011 forecasts. As in the prior surveys, only a small share of respondents forecast negative real GDP growth.

Percent of total (60) reporting that real GDP will grow from the fourth quarter of 2011 to the fourth quarter of 2012 by:

	<0.0%	0.0% to 1.0%	1.1% to 2.0%	2.1% to 3.0%	3.1% to 4.0%	>4.0%
January '12	**2**	**5**	**28**	**60**	**5**	**0**
October '11*	3	12	70	16	0	0
July '11*	1	4	18	65	11	0
April '11*	1	1	3	56	37	1
January '11*	1	2	14	62	20	0

** panelists asked to report GDP growth from fourth quarter 2010 to fourth quarter 2011*

The bulk of survey respondents—63%—hold the view that the European debt crisis has led to no change in their company's sales while 29% of respondents indicated that the crisis had led to a decrease in sales of 10% or less. Only 8% of respondents reported an *increase* of 10% or less in sales, and none of them reported increases or decreases of more than 10%.

How has the European debt crisis affected your company's sales year-to-date in 2011?

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**0**	**0**	**0**	**0**	**0**
Increase 10% or less	**8**	**0**	**0**	**9**	**13**
Stay about the same	**63**	**50**	**83**	**68**	**53**
Decrease 10% or less	**29**	**50**	**17**	**23**	**33**
Decrease more than 10%	**0**	**0**	**0**	**0**	**0**
NRI (all increases less decreases)	**-22**	**-50**	**-17**	**-14**	**-20**
Number reporting	*51*	*8*	*6*	*22*	*15*

Almost two-thirds of respondents continue to expect that there will be no impact of the European debt crisis on sales over the next 6 months. That result is similar to results in the previous survey. About 8% of NABE panelists expect sales to increase by 10% or less, while 27% of panelists expect to see a decline in sales of 10% or less. None of the respondents were neither overly optimistic nor pessimistic in forecasting that sales would increase by over 10%, and most of them did not expect sales to fall by more than 10%.

How do you expect the European debt crisis will affect your company's sales over the next 6 months?

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**0**	**0**	**0**	**0**	**0**
Increase 10% or less	**8**	**0**	**0**	**14**	**7**
Stay about the same	**63**	**56**	**57**	**71**	**57**
Decrease 10% or less	**27**	**44**	**43**	**14**	**29**
Decrease more than 10%	**2**	**0**	**0**	**0**	**7**
NRI (all increases less decreases)	**-22**	**-44**	**-43**	**0**	**-29**
Number reporting	*51*	*9*	*7*	*21*	*14*

Between 40% and 50% of respondents within each sector, as well as respondents overall, expected the payroll tax cut to be extended beyond December 31, while between 30% and 52% had made no assumptions. About 92% of respondents forecast that, if the payroll tax cut were not extended, their company's costs would stay the same or increase by 5% or less. None of the respondents believed that costs would increase by more than 10% and only 8% believed that it would increase between 5%-10%. The patterns were similar across all sectors.

In your corporate planning for 2012, did you assume that the payroll tax cut would be extended beyond December 31, 2011?

	Yes	No	No Assumptions	*No. responding*
Total	**46**	**15**	**39**	*61*
Goods-producing	**50**	**20**	**30**	*10*
TUIC	**50**	**13**	**38**	*8*
FIRE	**48**	**0**	**52**	*21*
Services	**41**	**27**	**32**	*22*

If the payroll tax cut were not extended, by how much would you estimate that your costs will be impacted?

	Total	Goods-Producing	TUIC	FIRE	Services
Increase more than 10%	**0**	**0**	**0**	**0**	**0**
Increase between 5-10%	**8**	**0**	**0**	**5**	**16**
Increase 5% or less	**45**	**60**	**63**	**42**	**37**
Stay the same	**47**	**40**	**38**	**53**	**47**
Number reporting	*51*	*5*	*8*	*19*	*19*

About half of respondents did not feel that the failure of the Super Committee to develop debt reduction plans would impact their businesses. The share of respondents with this perspective ranged from 44% in the goods-producing sector to 60% in FIRE sector. About 21% estimated fewer purchases by the U.S. government, although no respondents in the FIRE sector forecast this, and 42% of respondents in the services sector forecast this. About 27% of respondents expect fewer consumer purchases; the share was only 11% for services and was 40% for FIRE.

How do you estimate that the failure of the Super Committee to develop debt reduction plans will impact your business?

	Total	Goods-Producing	TUIC	FIRE	Services
Fewer Govt. purchases	**21**	**22**	**25**	**0**	**42**
Fewer consumer purchases	**27**	**33**	**25**	**40**	**11**
Reduction in Govt. funding	**0**	**0**	**0**	**0**	**0**
No Impact	**52**	**44**	**50**	**60**	**47**
Number reporting	*56*	*9*	*8*	*20*	*19*

SURVEY PARTICIPATION AND DEFINITIONS

All survey respondents are NABE members who work for private-sector firms and industry trade associations. Respondents were classified into industry NAICS codes and then grouped into four sectors as follows: goods-producing; transportation, utilities, information, communications (TUIC); finance, insurance, real estate (FIRE); and services. Industry groupings, beginning with the January 2007 survey, are as follows:

Goods-producing: NAICS 11 Agriculture, forestry, fishery, hunting; 21 Mining; 23 Construction; 31-33 Manufacturing.

Transportation, Utilities, Information, Communications (TUIC): NAICS 22 Utilities; 48-49 Transportation & warehousing; 51 Information–publishing, software, broadcasting, Internet publishing and providers, telecommunications, etc.

Finance, Insurance, Real Estate (FIRE): NAICS 52 Finance and insurance—credit intermediation, including commercial and savings banks, credit unions, mortgage bankers; securities and other financial investments, trust, pension funds; health insurance and other insurance; 53 Real estate, rental, leasing.

Services: NAICS 42 Wholesale trade; 44-45 Retail trade; 54 Professional, scientific, technical services; 62 Health care services; 56 Administrative, support, waste management & remediation services; 71 Art, entertainment, recreation; 72 Accommodations & food service; 81 Other services.

The charts and many of the tables display a **Net Rising Index (NRI),** a diffusion index calculated as the percent of responses reporting rising results minus the percent reporting falling results. Thus, the index has a possible range of +100 (all positive responses) to -100 (all negative), with 0 indicating an equal mix. All results shown are rounded to the nearest whole percentage; thus, details may not add to 100 and the NRI may not match the difference in rounded components. Shaded areas on charts indicate recessions.

A total of 63 panelists responded to the survey; the number of panelists responding to each question is included in the tables. Roughly 6% of the respondents were from single-person firms; 26% in firms with 2-10 employees; 16% in firms with 11-100 employees; 13% in firms with 101-1,000 employees; and 39% in firms with more than 1,000 employees. 44% of the firms had no sales from foreign-based operations; 31% reported one quarter or less of total sales from abroad; 12% reported between one quarter and one half of sales from abroad; and 14% indicated more than half of all sales were from abroad.

The NABE Industry Survey has been conducted quarterly since 1982. This survey is one of three administered by NABE; the others are the quarterly NABE Outlook and the semiannual NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for people who use economics in their work. **Dr. Nayantara Hensel**, National Defense University; **Jennifer Adams**, Walt Disney; **Tim Gill**, National Electrical Manufacturers Association; **Dr. Chad Moutray**, National Association of Manufacturers; **Emily Sanchez**, American Chemistry Council; and **Dr. Ken Simonson**, The Associated General Contractors of America, conducted the analysis for this report.

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202-463-6223 | 202-463-6239 fax | nabe@nabe.com | www.nabe.com