2020 Shelby County Business Outlook

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2020 Business Outlook

• Macro
  – Economic Growth/GDP (2%)
  – Unemployment is low (3.7%)
  – Job Growth (down from 2018)
  – Trade Wars / Recession Fears
  – Federal budget deficit (up)
  – US Sovereign debt (up)
Federal Budget Deficit

- Years with the largest budget deficits:
  - As percent of the GDP = 1943
    - 26.9% of GDP or $55 billion (WWII – defense spending tripled)
  - During recession (in dollars) = 2009
    - $1,413 billion (bank bailout – great recession)
  - During expansion (in dollars) = 2019
    - $1,092 billion budget deficit added $1,314 billion in debt
2020 Business Outlook

• US Sovereign Debt
  – $23.2 Trillion in Federal debt
  – World sovereign debt = $66 Trillion
  – US accounts for 35% of all sovereign debt
2020 Business Outlook

• What about Shelby County?
2020 Business Outlook

• Shelby County Study
  – Partnership between the Shelby County Chamber and the Stephens College of Business at the University of Montevallo
  – Data collected via online questionnaire
  – Received 213 responses from Shelby County Chamber and Affiliate Members
2020 Business Outlook

• Respondent employment
  – 14 = median number of employees among respondent
    • 67% respondents have less than 50 FTE
    • 9.3% respondents have 500 or more FTE
## 2020 Business Outlook

<table>
<thead>
<tr>
<th>SECTOR OF RESPONDENTS</th>
<th>2020 Business Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>4.3</td>
</tr>
<tr>
<td>Financial Services</td>
<td>12.8</td>
</tr>
<tr>
<td>Food Services</td>
<td>4.3</td>
</tr>
<tr>
<td>Government/Public Admin</td>
<td>8.1</td>
</tr>
<tr>
<td>Health Care</td>
<td>7.1</td>
</tr>
<tr>
<td>Hospitality / Tourism</td>
<td>5.2</td>
</tr>
<tr>
<td>Manufacturing / Industry</td>
<td>10.9</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>11.4</td>
</tr>
<tr>
<td>Professional Services</td>
<td>17.1</td>
</tr>
<tr>
<td>Retail</td>
<td>4.3</td>
</tr>
<tr>
<td>Technology</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>10.0</td>
</tr>
</tbody>
</table>
2020 Business Outlook

• Revenues in 2020
  – 87% of respondents expect revenue to increase
    • 87% in 2019, 92% in 2018
    • 82% in 2017, 79% in 2016

  – 5.2% of respondents expect revenue to shrink
    • 5% in 2019, 3% in 2018
    • 7.4% in 2017, 11% in 2016
2020 Business Outlook

• Expenses in 2020
  – 70% of respondent expect expenses to increase slightly or increase significantly
  – 7% of respondents expect expenses to decrease significantly
2020 Business Outlook

- Profit in 2020
  - 73.3% of respondents expect profits to increase slightly or significantly
    - 70% in 2019
    - 77% in 2018
    - 69% in 2017
  - 6.5% of respondents expect profits to decrease
    - 9% in 2019
    - 6.5% in 2018
2020 Business Outlook

• Debt in 2020
  – 85% of respondents expect debt to remain the same or decrease
    • 80% in 2019, 76% in 2018, 86% in 2017
  – Only 15% expect debt to increase
    • 18% in 2019, 24% in 2018, 14% in 2017
# 2020 Business Outlook

<table>
<thead>
<tr>
<th>EXPECTED CAPITAL EXPENDITURES</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000 or more</td>
<td>14.71%</td>
<td>20.6%</td>
<td>15.6%</td>
<td>19.3%</td>
</tr>
<tr>
<td>$500,000 to $999,999</td>
<td>6.37%</td>
<td>6.03%</td>
<td>4.74%</td>
<td>4.25%</td>
</tr>
<tr>
<td>$250,000 to $499,999</td>
<td>7.84%</td>
<td>11.06%</td>
<td>10.78%</td>
<td>8.0%</td>
</tr>
<tr>
<td>$100,000 to $249,999</td>
<td>11.27%</td>
<td>13.07%</td>
<td>12.5%</td>
<td>11.8%</td>
</tr>
<tr>
<td>$10,000 to $99,999</td>
<td>26.47%</td>
<td>26.13%</td>
<td>27.16%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Less than $10,000</td>
<td>16.67%</td>
<td>12.06%</td>
<td>17.67%</td>
<td>19.3%</td>
</tr>
<tr>
<td>None</td>
<td>16.67%</td>
<td>11.06%</td>
<td>11.21%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>
2020 Business Outlook

• Employment in 2020
  – 52% of respondents expect full-time employment to increase slightly or significantly
    • 52% in 2019, 52% in 2018, 43% in 2017
  – Only 2.8% of respondents expect full-time employment to decrease
    • 5.6% in 2019, 3.5% in 2018
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Cost of unemployment insurance

• NO – little to no impact on creating jobs
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Cost of workers comp

• NO – little to no impact on creating jobs
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Taxes and fees

• NO – little to no impact on creating jobs
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Cost of benefits like health insurance

• NO – little to no impact on creating jobs
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Difficulty in finding skills and experience you need

• YES – this is a challenge in Shelby County and does effect job creation
2019 Business Outlook

• What impacts job creation in Shelby County?
  – Growth in sales / demand for your business or service

• YES – this is the top driver of job creation
2020 Business Outlook

- Outlook...
  - Shelby County economy is headed in the right direction
    - 90% agree or strongly agree
    - 2.88% disagree or strongly disagree
  - The US Economy is headed in the right direction
    - 73.6% agree or strongly agree
    - 9.6% disagree or strongly disagree
2020 Business Outlook

• SUMMARY for Shelby County
  – Expectations for revenue growth are unchanged
  – Fewer respondents expect profits to decrease
  – Expect more capital expenditures in the $1 Million and over range
  – The overwhelming driver of job creation is growth in sales/demand and not costs or regulatory issues
  – 90% of respondents are bullish on Shelby County
  – Expectations for the US economy have become more polarized with both confidence and uncertainty increasing