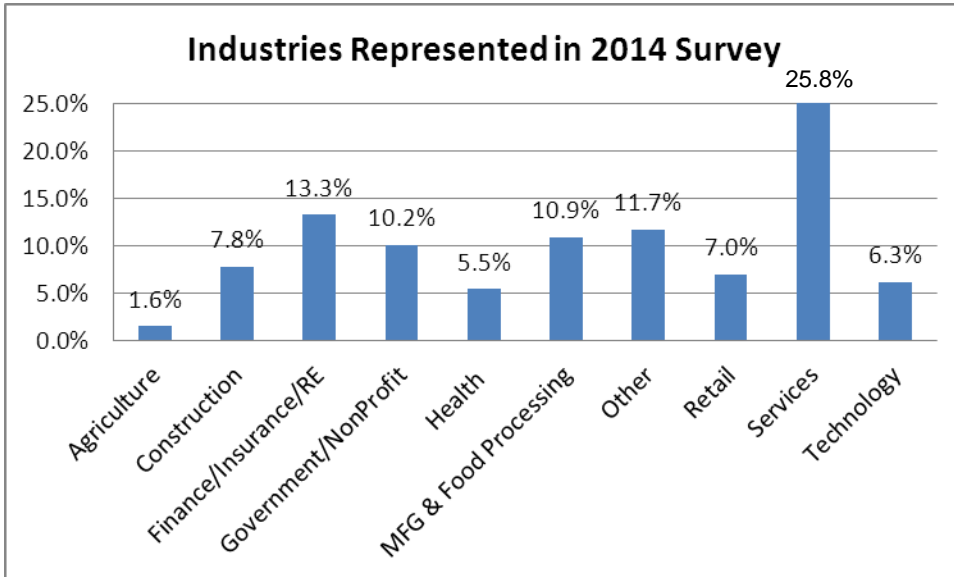


Results from the 2014 Stanislaus Economic Outlook Survey

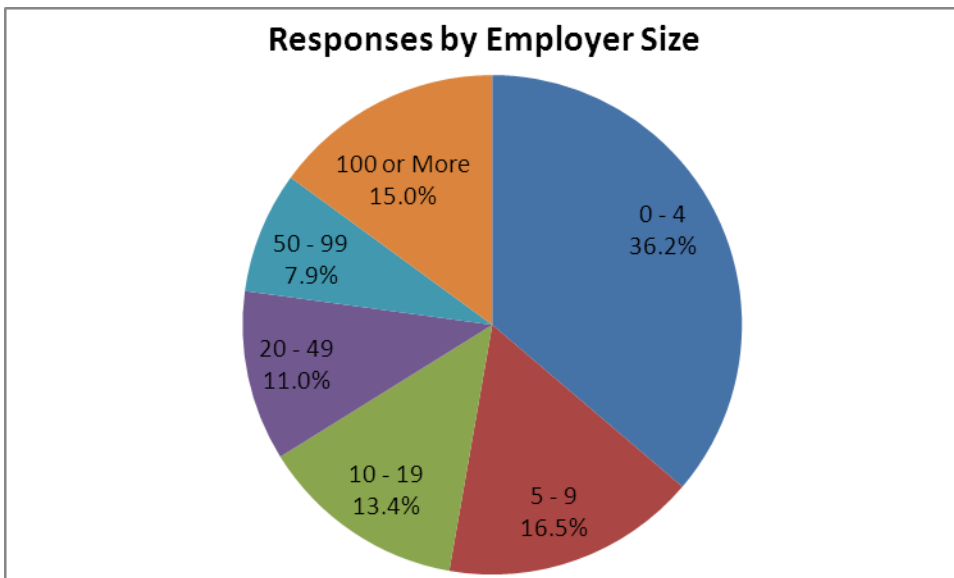
Early each year, the Alliance surveys businesses operating in the Stanislaus County area. Results from the tenth edition of this poll point to a continuing, gradual improvement in business conditions.

Q: Select the single category that best describes your business.



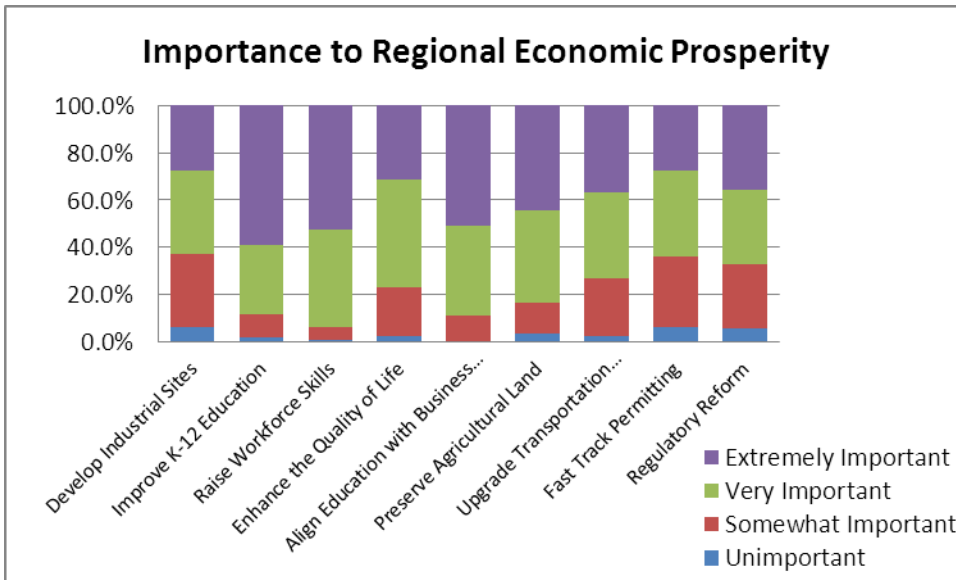
Responses came from 129 managers and owners and reflected a range of industries.

Q: How many employees do you have, including full and part-time staff?



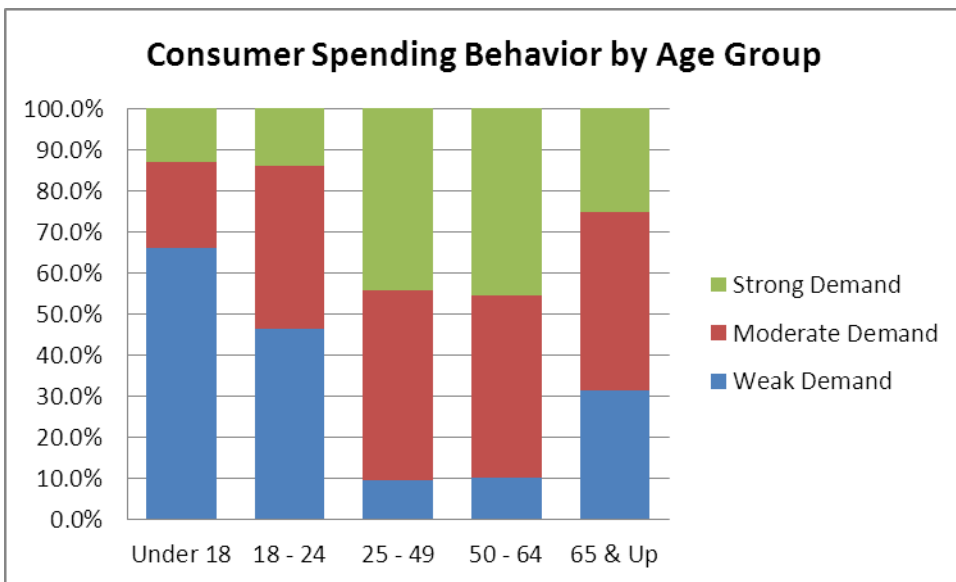
Employers of all sizes participated in the survey. Balance was evident, with all employment level categories well represented.

Q: How important are the following items to the long-term economic prosperity of our region?



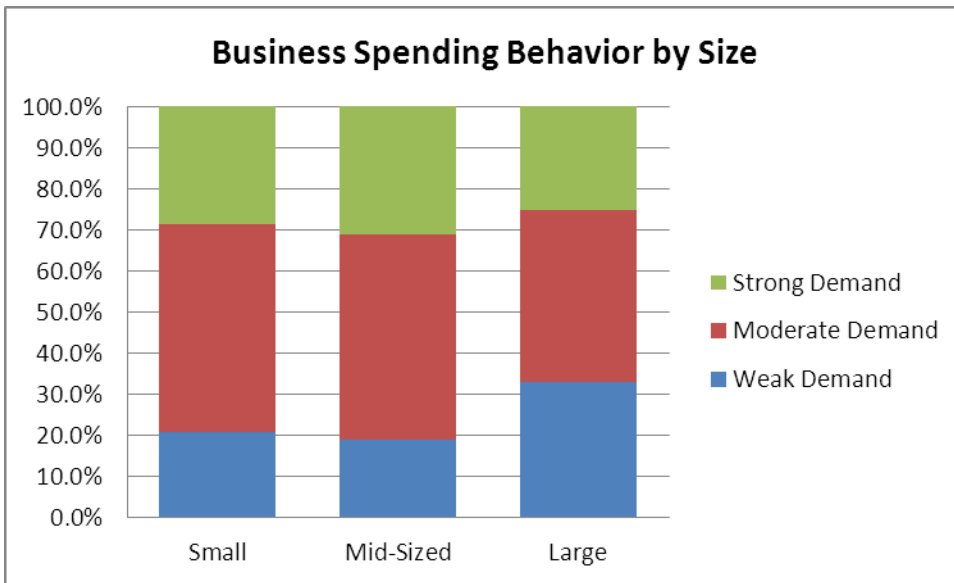
A special topical question is always part of the survey. This time around, we asked participants to rate nine factors in terms of their importance to our area’s long-term economic vitality. While every category was deemed important, answers relating to education emerged as the most popular selection.

Q: Rate the current spending behavior you are seeing from the various market groups you sell to. (Consumers)



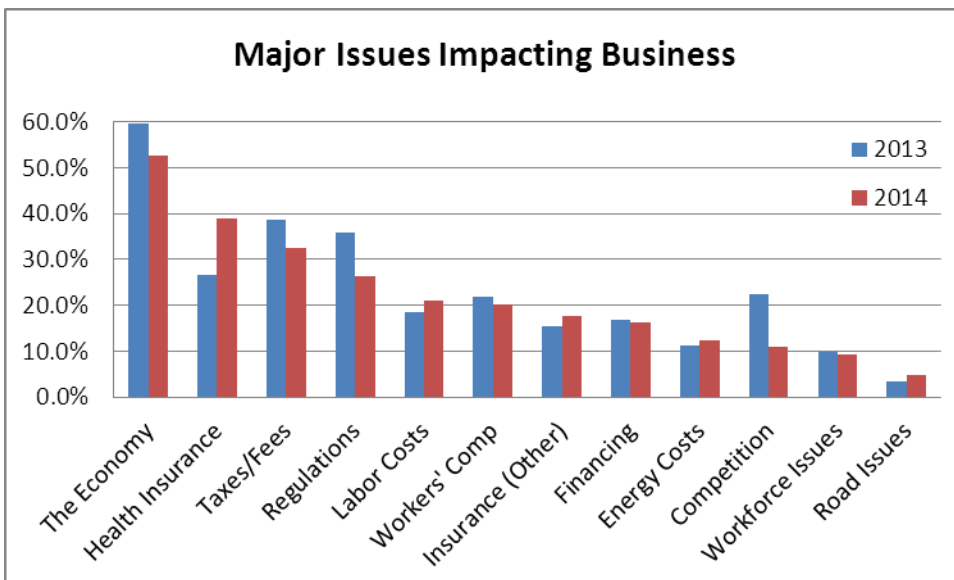
Consumer demand continues to be strongest from shoppers from 25 to 64 years of age. Although it improved marginally from last year’s levels, the spending by the youngest consumers remains soft.

Q: Rate the current spending behavior you are seeing from the various market groups you sell to. (Business)



For businesses that sell to other businesses, demand patterns are moderately positive. Small and mid-sized business clients are the best markets currently and have shown gains since last year. Somewhat surprisingly, larger companies appear to be the softest market segment.

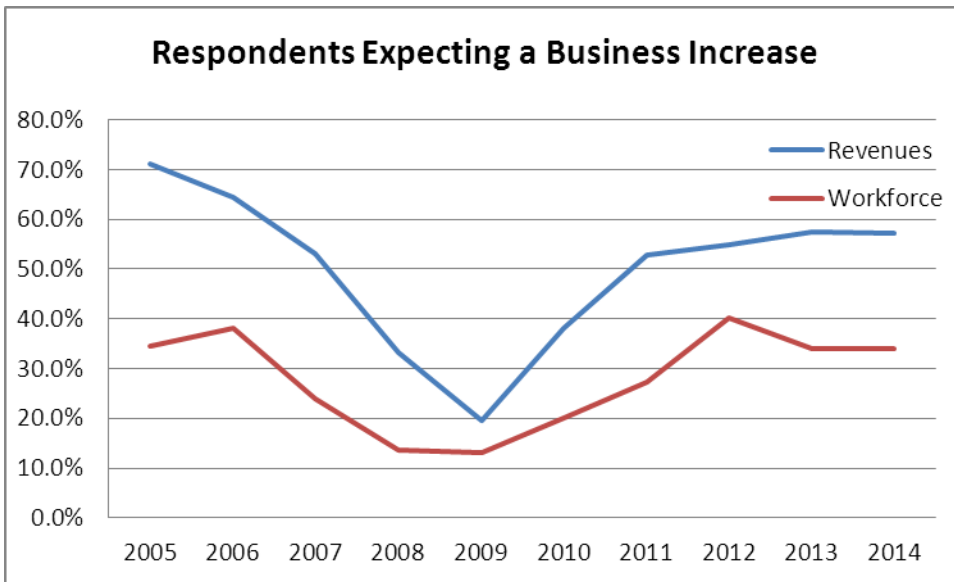
Q: Select the main factor(s) restricting your profitability and growth.



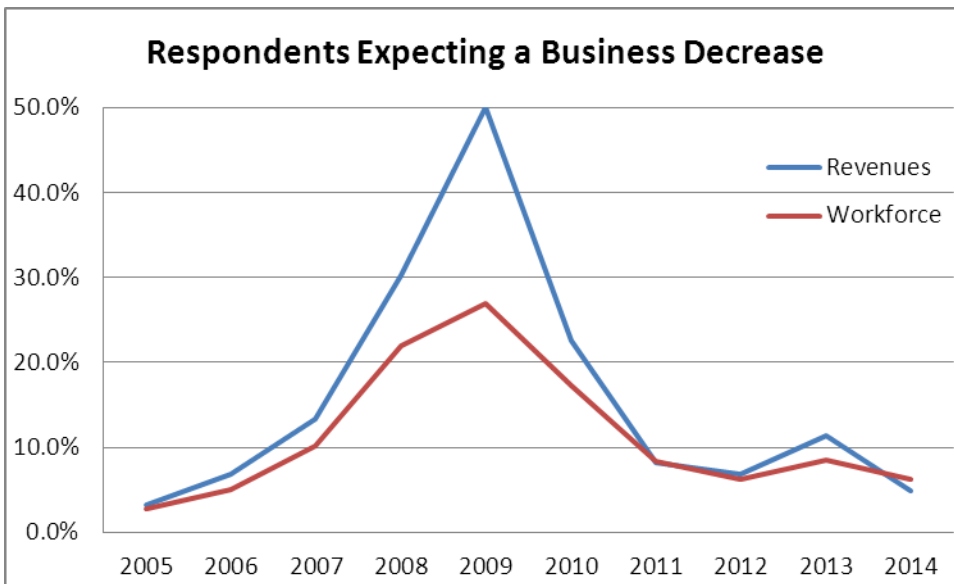
Concerns over the impacts of Health Insurance have risen significantly. On the other hand, two indicators of the overall business climate, The Economy and Competition, declined noticeably this year. (For perspective, 2014's responses are compared with prior-year results.)

The Big Picture – Trending Ten Years of Data

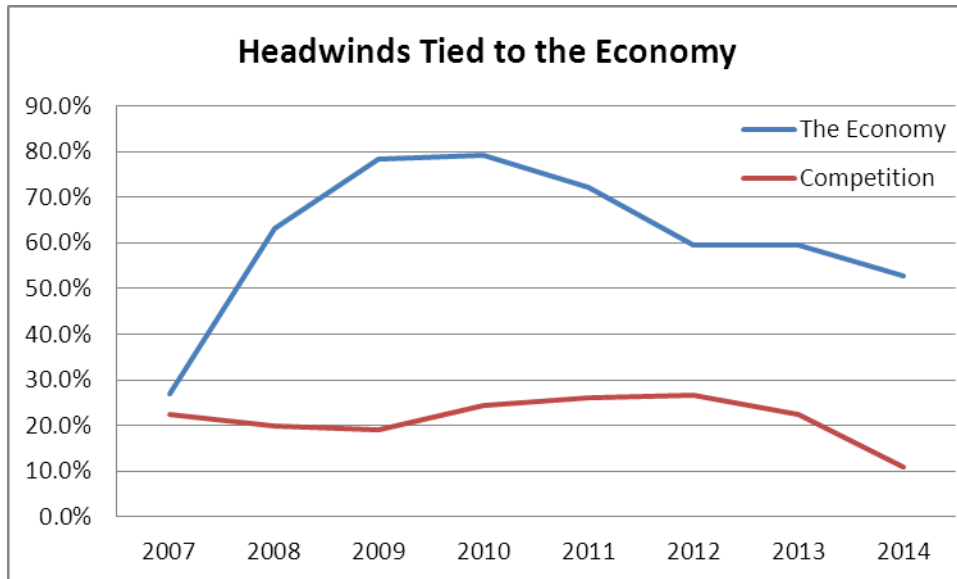
This year marks the tenth iteration of the Alliance’s Stanislaus Economic Outlook Survey. Such a time span is normally long enough to experience an entire business cycle. Our first survey nearly coincided with the last economic peak, as an epic housing boom stoked consumer spending. Between 2008 and 2009, after a steadily declining outlook, expectations bottomed out for many area businesses. Responses for 2014 mostly point to continued gradual improvements in the business outlook.



Several years ago, economists debated whether the emerging recovery would be V-shaped or U-shaped. The above chart shows both characteristics, with a more abrupt pattern of increase for revenue expectations versus a gradual pick-up in hiring plans. Both indicators remain in positive territory.



On another positive note, only 4.8% of respondents expect a sales decline for 2014. Back in 2009, that figure stood at 50%.



Gradual economic healing is evidenced in the above chart. Despite these improvements, The Economy remains a headwind for just over half of those responding. On the other hand, Competition can reflect a more subtle reading on the economy. The percentage of respondents citing business rivalry as a negative factor declined by more than half in 2014.

Negative Factors Impacting Profitability and Growth										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes/Fees	47.6%	42.3%	33.2%	33.5%	28.2%	28.3%	26.5%	21.4%	38.6%	32.6%
Energy Costs	22.8%	41.9%	21.2%	29.7%	10.9%	10.9%	13.7%	14.5%	11.2%	12.4%
Regulations	49.6%	37.3%	27.6%	27.2%	25.3%	34.2%	32.4%	36.6%	35.8%	26.4%
Workers' Comp	N/A	46.6%	25.1%	20.9%	14.9%	16.8%	12.7%	8.4%	21.9%	20.2%
Workforce Issues	N/A	33.3%	23.0%	14.8%	5.7%	7.1%	8.8%	7.6%	9.8%	9.3%
Labor Costs	N/A	35.1%	27.9%	30.5%	10.9%	18.5%	20.1%	16.0%	18.6%	20.9%
Insurance	N/A	37.6%	32.5%	29.4%	13.8%	22.8%	19.1%	7.6%	31.2%	44.2%
Competition	N/A	24.0%	22.3%	19.8%	19.0%	24.5%	26.0%	26.7%	22.3%	10.9%
Road Issues	N/A	N/A	4.2%	4.4%	1.7%	2.2%	1.0%	3.8%	3.3%	4.7%
The Economy	N/A	N/A	26.9%	63.2%	78.2%	79.3%	72.1%	59.5%	59.5%	52.7%
Financing	N/A	N/A	N/A	N/A	18.4%	23.4%	15.2%	16.0%	16.7%	16.3%

2013 & 2014 Insurance percentages reflect a total for Health or Non-Health Insurance. Based on percentages of total survey takers.

Businesses always face a multitude of challenges. Concerns over the Economy and Insurance are clear stand-outs in that regard for 2014. Taxes, Fees and Regulations, perennial negative factors, remain on the radar as well.