



# 2001 Sonoma County Business Confidence Report

**December 2000**

*A report by the Sonoma County Economic Development Board  
Ben Stone, Director*

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# OVERVIEW

*Sonoma County CEOs are more confident about the local economy than they are about the national economy.* The majority of respondents indicated a high level of confidence in Sonoma County's economic growth for 2001. Sixty-three percent (63%) of the respondents feel highly confident about Sonoma County's economy for the upcoming year, as opposed to only thirteen percent (13%) of the respondents who are very optimistic about the national economy. This finding indicates that respondents generally have more optimism for Sonoma County's economy than for the national economy.

Even though 89% of the respondents believe that their business is either in very good or good health, there has actually been a conspicuous decline in their estimations for net profits and plant and equipment investment for the upcoming year. Only 45% of the respondents expect an increase in net profits for their business in 2001, whereas 78% held this belief last year. Additionally, only 59% of the respondents expect to increase their plant and equipment investment in 2001, while 66% of the respondents last year had projected an increase in this category for 2000.

Decreased estimations for net profits can perhaps be attributed to the concern of many respondents over increasing wages and salaries as well as the difficulties associated with the housing shortage in Sonoma County. Eighty percent (80%) of the respondents expect employee wages and salaries to *increase* in 2001. Increased wages for employees generally translates into higher costs and lower profits for companies. Additionally, 72% of the respondents believe that housing issues in Sonoma County negatively impact their businesses. The growing shortage of available housing for employees also implies that employee recruitment and retention will be more problematic for businesses.

Consequently, there is a noticeable decline in the optimism level of respondents with regard to their estimations for economic growth in the upcoming year. The decrease in confidence is supported by the fact that respondents have downgraded their projections for both the local and national economy.

Seventy-five percent (75%) of the respondents are only somewhat optimistic in their outlook for the U.S. economy. More telling, however, is that over half of the respondents believe that the gross domestic product will *decrease* over the next year.

Respondents also expect interest rates to *decline* (37%) in 2001 while only 2% of the respondents last year held this expectation for 2000. Additionally, only 61% of the respondents this year expect the stock market to increase next year, an 11% difference from the 72% that held this belief last year.

# HIGHLIGHTS

- ◆ Sixty-three percent (63%) of the respondents feel highly confident about Sonoma County's economy for the upcoming year (2001), as opposed to only thirteen percent (13%) of the respondents who are very optimistic about the national economy.

This high level of confidence bodes well for local retailers, restaurants, professional service providers, realtors, and others.

- ◆ Eighty-nine percent (89%) of respondents believe that their business is either in very good or good health.
- ◆ Sixty-eight percent (68%) of respondents expect an increase in their firm's capital investment.
- ◆ Sixty-six percent (66%) of respondents expect their employment needs to increase for the upcoming year, a 6% increase from last year's respondents.
- ◆ Sixty-one percent (61%) expect an increase in the stock market, an 11% decrease from the percentage that held this belief last year.
- ◆ For 2001, fifty-one percent (51%) of respondents expect the gross domestic product (GDP) to decrease and thirty-seven percent (37%) expect interest rates to be lower.

**For 2001, respondents expect....**

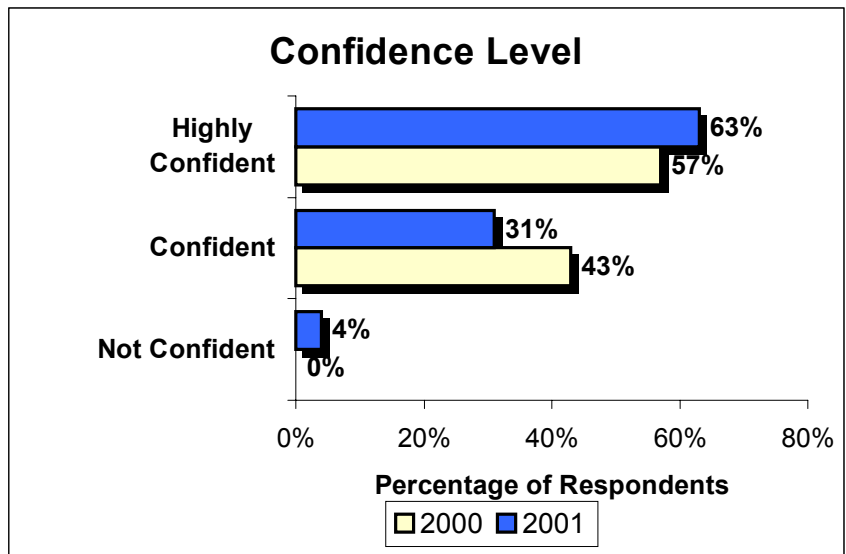
Increase	Decrease	No Change
<ul style="list-style-type: none"> <li>◆ Capital Investment</li> <li>◆ Employment Needs</li> <li>◆ Wages &amp; Salaries</li> <li>◆ Stock Market</li> <li>◆ Exports</li> </ul>	<ul style="list-style-type: none"> <li>◆ GDP</li> <li>◆ Interest Rates</li> </ul>	<ul style="list-style-type: none"> <li>◆ Inflation Rate</li> </ul>

# I. EXPECTED BUSINESS CHANGES FOR SONOMA COUNTY'S ECONOMY

Please note that data for the following graphs are expressed as percentages of total respondents. Where available, data for both 2001 and 2000 are compared. Graphs that feature data only for 2001 represent new survey questions for this year's survey.

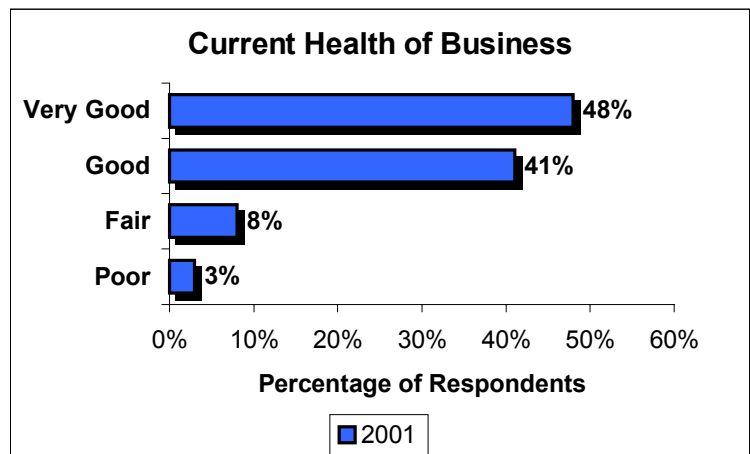
## CONFIDENCE LEVEL

Overall, ninety-four percent (94%) of the respondents are either highly confident or confident about Sonoma County's economic growth for the upcoming year, 2001. Moreover, the percentage of businesses that are *highly confident* about the local economy has risen. Sixty-three percent (63%) of the respondents feel highly confident about Sonoma County's economy for the upcoming year (2001), as opposed to the fifty-seven percent (57%) who were highly confident about 2000.



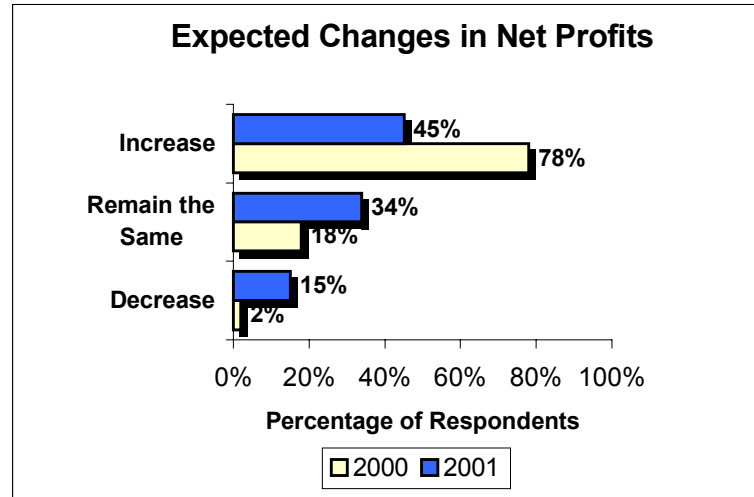
## BUSINESS HEALTH

Eighty-nine percent (89%) of the respondents believe that their business is either in very good or good health. The significance of this high percentage suggests that these businesses are experiencing stable sales and/or production.



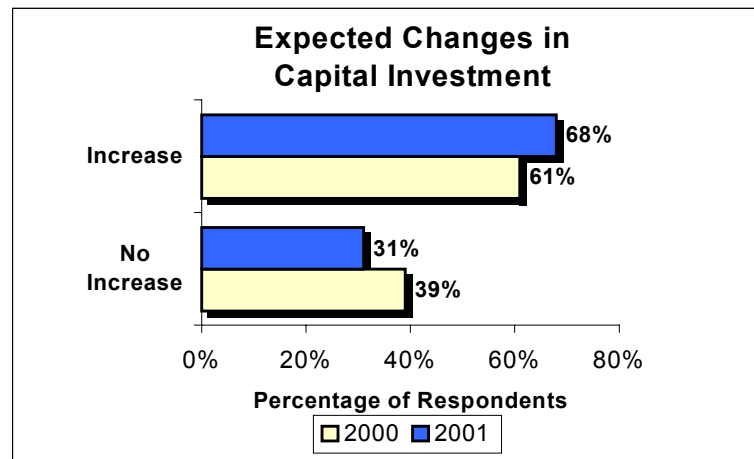
## NET PROFITS

A majority of the respondents (45%) expect the net profits of their businesses to increase in 2001. However, this percentage is considerably lower than the seventy-eight percent (78%) that held this expectation last year. The other responses below will help provide some possible explanations for this downturn in business optimism.



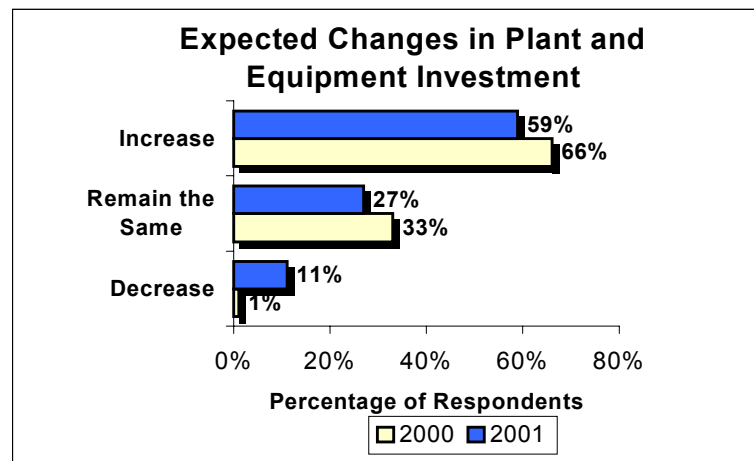
## CAPITAL INVESTMENT

Sixty-eight percent (68%) of the respondents expect an increase in their capital investment. Again, the percentage of respondents who expect their business to increase capital investment is higher for 2001 than it was for last year.



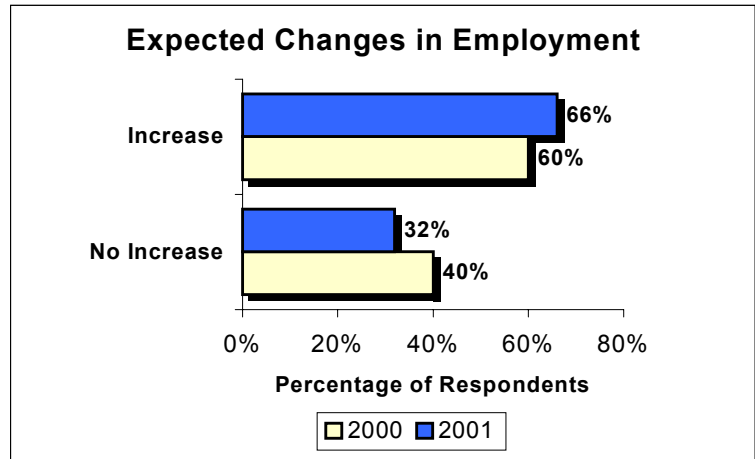
## INVESTMENT IN PLANT AND EQUIPMENT

Fifty-nine percent (59%) of the respondents expect their business to increase investment in plant and equipment for the next year.



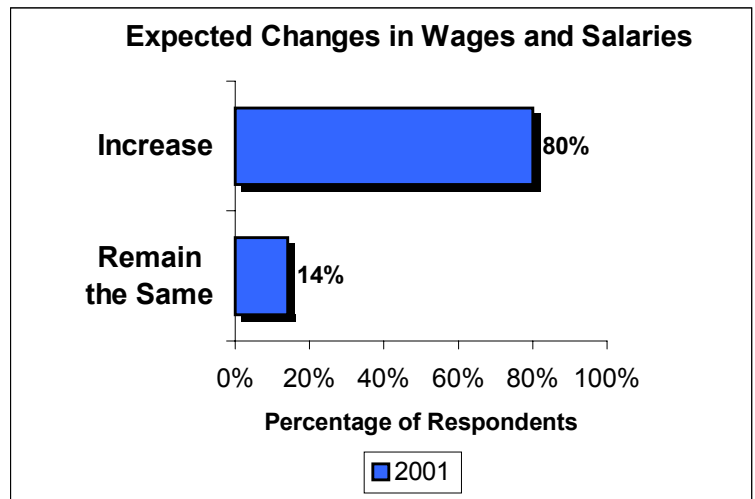
## EMPLOYMENT

Sixty-six percent (66%) of the respondents expect their employment needs to increase for the upcoming year, a 6% increase from last year's respondents.



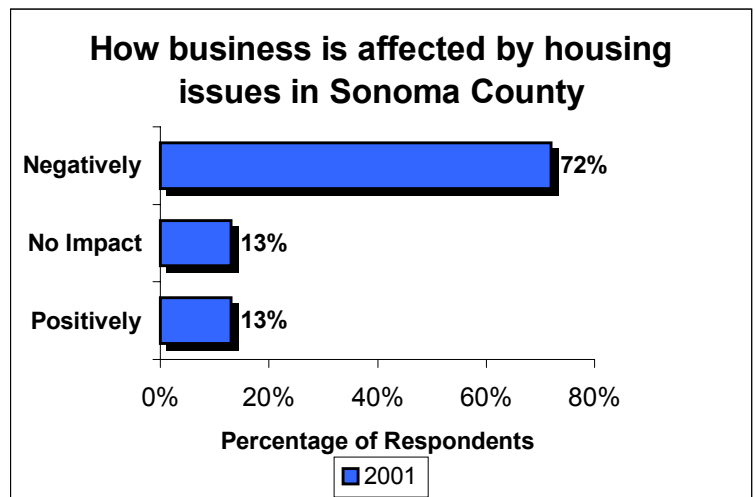
## WAGES & SALARIES

Eighty percent (80%) of the respondents expect an increase in wages and salaries for next year. This high percentage suggests a possible explanation as to why a smaller percentage of companies expect their net profits to increase next year.



## HOUSING ISSUES

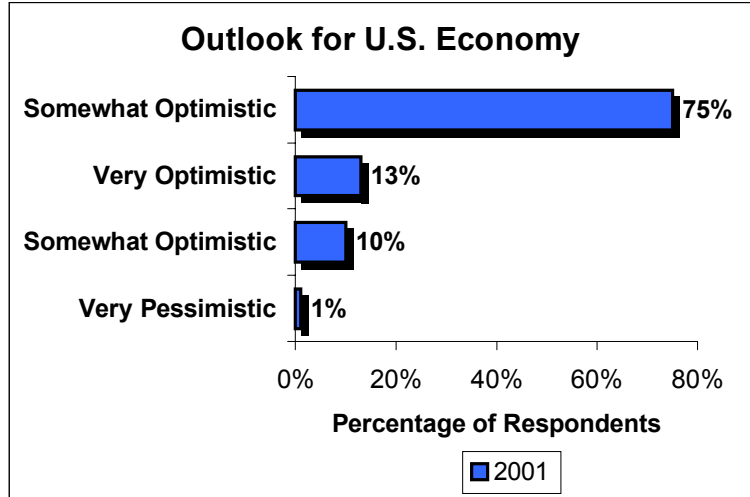
Seventy-two percent (72%) of the respondents believe that housing issues in Sonoma County *negatively* impact their business.



## II. EXPECTED CHANGES FOR THE NATIONAL ECONOMY

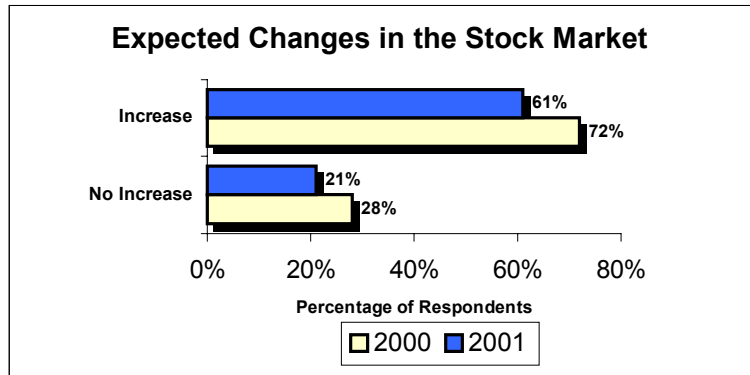
### OUTLOOK FOR U.S. ECONOMY

In contrast to their high confidence in Sonoma County's economic growth, many of the respondents project a less optimistic outlook for the national economy. Seventy-five percent (75%) of the respondents are only *somewhat optimistic* about the U.S. economy.



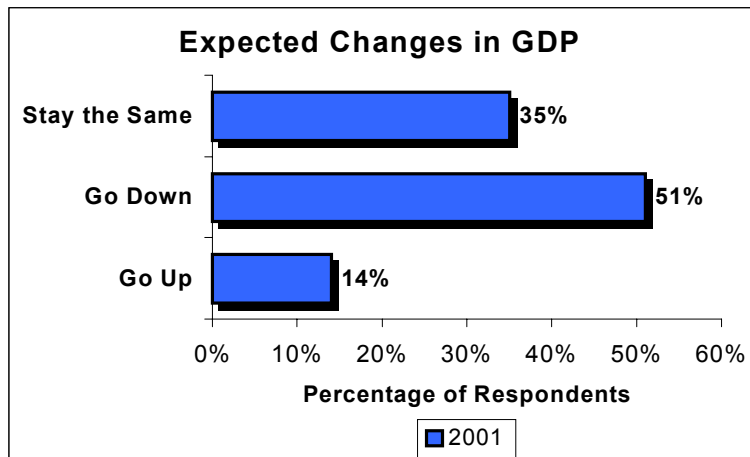
### STOCK MARKET

In tune with their decreased enthusiasm for national economic growth, a smaller percentage of the firms believe that the stock market will advance in the upcoming year. This year, only 61% expect an increase in the stock market, while 72% held this belief last year.



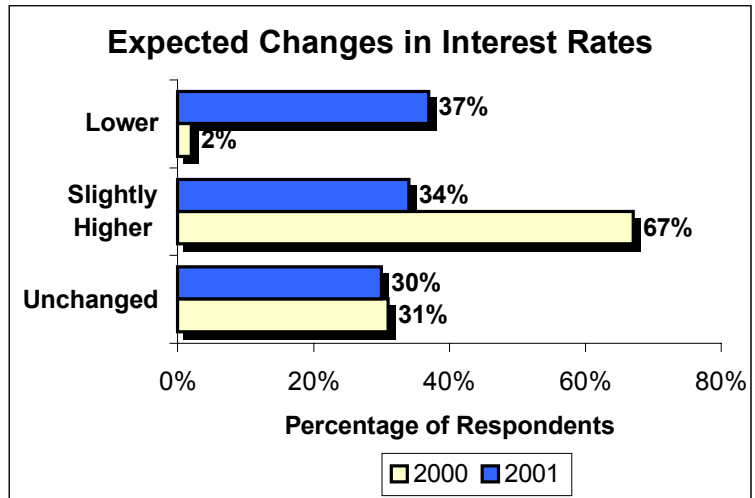
### GROSS DOMESTIC PRODUCT (GDP)

Fifty-one percent (51%) of the respondents expect the gross domestic product (GDP) to decrease in 2001.



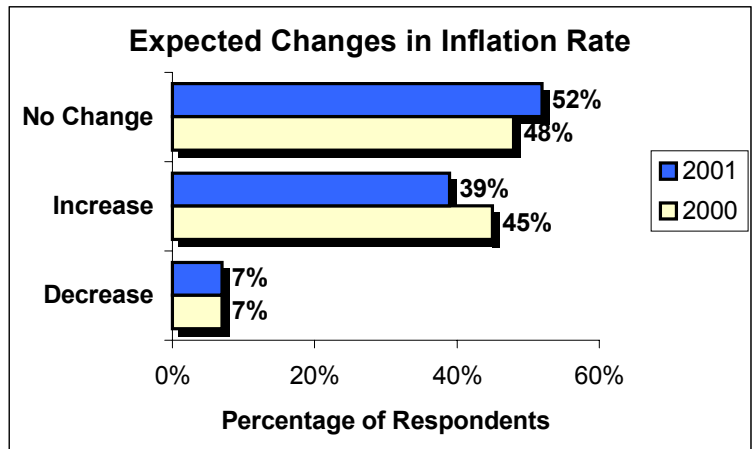
## *INTEREST RATES*

Thirty-seven percent (37%) of the respondents expect interest rates to be lower in 2001 while thirty-four percent (34%) believe that interest rates will be higher next year. These rates indicate a complete reversal from last year when only two percent (2%) of the respondents had expected lower interest rates while sixty-seven percent (67%) expected higher interest rates.



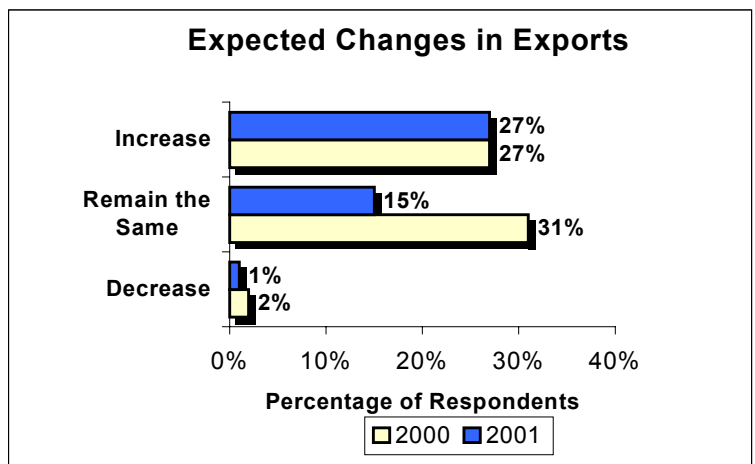
## *INFLATION RATE*

Over half of the respondents believe that the inflation rate will not change in the next year. However, a significant percentage (39%) believes that the inflation rate will increase in 2001. The results for 2001 are fairly consistent with those for 2000.



## *EXPORTS*

Like last year, twenty-seven percent (27%) of the respondents expect exports to increase next year. However only fifteen percent (15%) of the respondents this year believe that exports will remain the same, whereas thirty-one percent (31%) of the respondents last year held this belief.



# METHODOLOGY

The 2001 Business Confidence Survey was sent out to 250 of the leading firms in Sonoma County in November 2000. The survey garnered a response rate of almost 30%, with 71 firms responding. The results were then compiled and compared with last year's results.

Whenever possible, comparisons were drawn between the responses for 2001 and those for 2000. Please note, however, that some of the questions included in this year's survey were not asked in last year's survey. The responses to these new questions are represented in graphs that feature results for only 2001.

For more information regarding the 2001 Business Confidence Report please contact:

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