National Association for Business Economics
January 2019 | NABE Business Conditions Survey

NABE Business Conditions Survey

NABE Panel Reports Less Growth in Sales, Pricing, and Profit Margins Last Quarter; Panelists Trim Expectations for Investment, Hiring, and GDP in 2019

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The January 2019 NABE Business Conditions Survey report presents the responses of 106 NABE members to a survey on business conditions in their firms or industries conducted between December 17, 2018, and January 9, 2019, and reflects fourth-quarter results and the near-term outlook.

COMMENTS: "The results of the January 2019 NABE Business Conditions Survey indicate that most respondents do not expect a recession within the next 12 months, but fewer respondents than previously expect robust economic growth in the year ahead," said **NABE Business Conditions Survey Chair Sam Kyei, CBE,** chief economist, SAK Economics LLC. "Respondents are nearly unanimous that growth in inflation-adjusted gross domestic product—real GDP—would remain positive through the end of 2019. Two-thirds of respondents expect growth to exceed 2%, however, that share is smaller than the 90% of respondents in the previous survey—which covered the outlook from the third quarter of 2018 to the third quarter of 2019.

"Additionally, fewer survey respondents report rising sales at their firms in the fourth quarter of 2018 compared to the third quarter. Profit margin increases became significantly less widespread in the fourth quarter of 2018. Materials input costs are rising at respondents' firms, especially goods-producing firms. Fifty-three percent of survey respondents report shortages of skilled labor at their firms and the current tight labor market conditions continue to push firms to raise wages, increase training, and consider additional automation. However, prices charged by respondents' firms appear to be anchored at the previous quarter's levels. Two-thirds of respondents indicate their firms' prices were unchanged during the fourth quarter of 2018." *(continued on next page)*

This NABE survey provides insights into these questions:

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COMMENTS: *(continued from page 1)*

"After a year of robust capital spending, business investment has cooled a bit, and expectations for the next three months slackened similarly," added **NABE President Kevin Swift, CBE,** chief economist, American Chemistry Council. "Indeed, the capex story is really a tale of two cities. Fewer firms increased capital spending compared to the October survey responses, but the cutback appeared to be concentrated more in structures than in information and communication technology investments.

"A large majority of respondents—84%—indicate that one year after its passage, the 2017 Tax Cuts and Jobs Act has not caused their firms to change hiring or investment plans," continued Swift. "The goods-producing sector, however, has borne the greatest impact, with most respondents in that sector noting accelerated investments at their firms, and some reporting redirected hiring and investments to the U.S. Seventy-seven percent of respondents indicate that trade concerns have not caused their firms to change investment, hiring, and pricing plans, a result similar to that in the previous survey. But, a larger share of panelists from the goods-producing sector compared to those from other sectors reports that adjustments are being made at their firms, with higher selling prices and delayed investments cited as the most prevalent changes."

HIGHLIGHTS

- **Most survey respondents do not expect a recession within the next 12 months.** Nearly two-thirds—64%—of respondents expect expansion.

- **Fewer survey respondents report rising sales at their firms than in the previous survey.** Respondents report a significant deterioration in sales activity in the fourth quarter of 2018, with 47% of panelists indicating that sales at their firms rose in the final quarter of last year, down from 61% in the October survey. Moreover, 17% of respondents in the January survey report falling sales at their firms, up from 6% in the October survey. The difference between the rising and falling shares—the Net Rising Index (NRI)—tumbled to 29 in January from 55 in October.

- **Expectations for sales increases over the next three months also deteriorated sharply from the expectations reported in the October survey.** The NRI for expected sales plunged to 26 from 56 in the October survey.

- **Profit margin increases became significantly less widespread in the fourth quarter of 2018.** The share of respondents reporting rising profit margins fell to 23%, while 20% report deteriorating profit margins. The NRI fell from 29 in October to 3, a two-year low.

- **Prices charged by respondents' firms appear to be anchored at the previous quarter's levels.** Two-thirds of respondents indicate their firms' prices were unchanged during the fourth quarter of 2018. The NRI for prices charged is 19, down from 37 in the previous quarter. NRIs are similar for three of the major industry sectors: finance, insurance, real estate (FIRE) (an NRI of 17); services (16); and transportation, utilities, information, communications (TUIC) (14). Respondents from goods-producing firms cite broader price increases, resulting in an NRI of 45.

- **The overall NRI for materials costs for the fourth quarter of 2018 is 37, down from 53 in the October survey, and the lowest reading since the October 2017 survey.** But, all four sectors have high NRIs for materials costs, led by the goods-producing sector with an NRI of 64. All major industry sectors also expect a rise (on net) in materials costs during the next three months, with respondents from FIRE firms expecting more widespread cost increases than those from firms in other sectors.

- **The NRI for wages and salaries remains strong, rising in January to a new all-time high of 58.** Wage increases are likely to remain widespread over the next three months, as the NRI for expected wage costs is very high at 74.

- **Employment growth improved modestly in the fourth quarter of 2018 compared to the third quarter.** The NRI ticked upward to 25 in January from 23 in October. Slightly more than one-third (35%) of respondents report rising employment at their firms over the past three months—up from 31% in the October survey—while 10% of respondents report falling employment—up from 8% in the previous survey. The forward-looking NRI is 25, down from 29 in October.

- **After a year of robust capital spending, investment cooled a bit; the NRI fell from 39 to 26.** Expectations for the next three months slackened similarly, with the NRI falling from 37 to 20. The capex story is really a tale of two cities. Businesses are spending more for replacement than expansion. The NRI for information and communications technology (IT) capital spending remains strong at 45, only slightly down from the October reading of 49, but higher than the other readings in 2018. On the other hand, capital spending on structures has not been as robust; the current NRI of 9 has been almost constant for a year.

- **More than half of survey respondents (53%) report shortages of skilled labor at their firms.** This is an increase from the 47% in October, and the highest percentage since October 2000.

- **Roughly two-fifths (41%) of respondents report their firms have either no difficulties hiring experienced workers (22%) or no open positions (19%),** percentages that have held steady since the October survey.

- **For respondents reporting difficulties in hiring, the positions that are most difficult to staff are high-skill positions—cited by 74% of respondents.** This is followed by difficulty filling mid-skill positions, cited by 52% of respondents. Only 27% of respondents report difficulty filling low-skill positions.

- **The majority—84%—of respondents indicates that one year after its passage the 2017 Tax Cuts and Jobs Act has not caused their firms to change hiring or investment plans.** This is similar to the 81% in the previous survey.

- **A majority of respondents (77%) indicates that trade concerns have not caused their firms to change investment, hiring, and pricing plans—a percentage equivalent to that in the previous survey.** But sizable shares of responses from goods-producing panelists report their firms are raising prices (36%) and delaying investments (27%).

DETAILED RESULTS

Sales

Respondents report a significant deterioration in sales activity for the final quarter of 2018, with just 47% of panelists indicating that sales at their firms rose in the fourth quarter of 2018, down 14 percentage points from the October survey. In contrast, 17% of respondents report a sales drop for the quarter, up from 6% in the October survey. As a result, the Net Rising Index (NRI)—the percentage of panelists reporting rising sales minus the percentage reporting falling sales—fell to 29, down from a 24-year high of 55 in October, and the lowest NRI for sales since the October 2017 survey. The falling sales report was driven substantially by results in the finance, insurance, and real estate (FIRE) sector, where 35% of respondents indicate falling sales and the NRI dropped to just 10 in the January survey. The transportation, utilities, information, communications (TUIC) and services sectors were also relatively weak, with NRIs in the 30s. By contrast, in the goods-producing sector a vast majority—82%—report rising sales, for an NRI of 73.

Expectations for sales increases over the next three months also deteriorated sharply since the October survey, although the sectoral distribution of weakness is a bit different than actual sales. Forty percent of respondents expect sales increases, down 21 percentage points from October, for an NRI of 26. Respondents from the services sector are the most pessimistic; the NRI for increased sales in that sector is 16, as only 33% of respondents foresee an increase in sales over the next three months. After the very weak fourth-quarter reading, 46% of FIRE respondents expect sales to improve in the coming three months, generating an NRI of 29. Goods-producers have a more balanced outlook, despite the strong fourth-quarter result; the forward-looking NRI for that sector is 36. Notably, the forward-looking NRI for this sector in the October survey was 80, so the fourth-quarter sales strength was apparently not a surprise to goods producers. The TUIC sector has the highest NRI for the coming three months of 43; no respondents from that sector expect sales to decline.

Percent of total respondents (103) reporting that over the past 3 months, their companies' product or services sales, adjusted for inflation, have been:

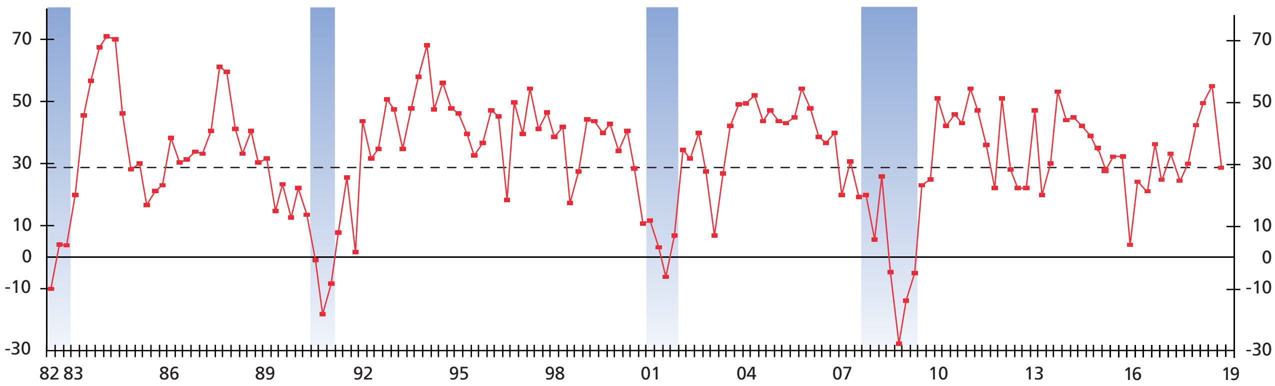
Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**47**	**36**	**17**	**29**	
October '18	61	34	6	55	
July '18	58	35	8	50	
April '18	54	36	11	43	
January '18	47	36	17	30	
By Sector—January '19					*No. responding*
Goods-producing	82	9	9	73	*11*
TUIC	50	36	14	36	*14*
FIRE	45	19	35	10	*31*
Services	38	53	9	30	*47*

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

Expected next 3 months—percent of total respondents (98)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**40**	**46**	**14**	**26**	
October '18	61	33	6	56	
July '18	68	24	8	60	
April '18	53	39	8	46	
January '18	51	35	15	36	
By Sector—January '19					*No. responding*
Goods-producing	45	45	9	36	*11*
TUIC	43	57	0	43	*14*
FIRE	46	36	18	29	*28*
Services	33	49	18	16	*45*

Figure 1 – Sales Net Rising Index



Note: In this and all figures, shaded areas represent recessions.

Profits

Profit margin increases became significantly less widespread in the fourth quarter of 2018. The share of respondents reporting rising profit margins decreased to just 23%, while 20% report deteriorating profit margins. The NRI is just 3 in the current survey, the lowest reading since the January 2017 survey.

The deteriorating trend of profit margins was driven by several sectors. In both the goods-producing and FIRE sectors, 30% of respondents report falling profit margins. However, another 40% of goods-producers report rising margins, compared to just 27% of respondents from FIRE sector firms. As a result, the NRI for the FIRE sector fell to -3, the lowest NRI across all sectors in the survey. The services sector has a similarly weak NRI, of 0. The highest NRI (21) is in the TUIC sector.

Forward-looking profit margins also deteriorated, and the NRI for the first quarter of 2019 is -4. The only sector with a modestly positive NRI (4) is FIRE. The services sector NRI is weakest, at -12, while responses from both goods-producers and TUIC panelists generated flat NRIs.

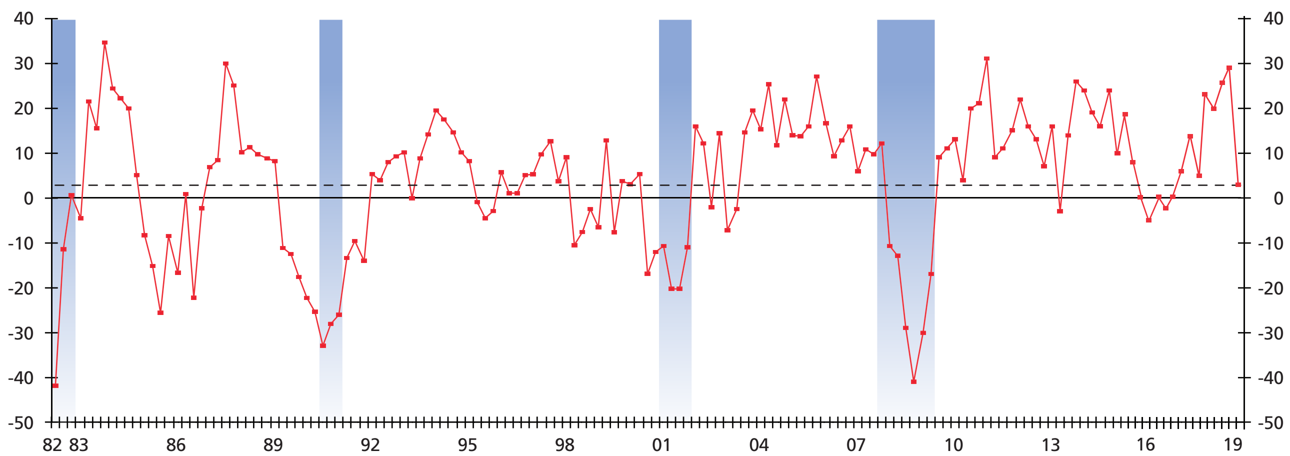
Percent of total respondents (98) reporting that over the past 3 months, their companies' profit margins have been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**23**	**56**	**20**	**3**	
October '18	37	56	8	29	
July '18	33	60	7	26	
April '18	35	49	16	20	
January '18	35	53	12	23	
By Sector—January '19					*No. responding*
Goods-producing	40	30	30	10	*10*
TUIC	29	64	7	21	*14*
FIRE	27	43	30	-3	*30*
Services	16	68	16	0	*44*

Expected next 3 months—percent of total respondents (92)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**14**	**67**	**18**	**-4**	
October '18	37	54	9	29	
July '18	36	53	11	25	
April '18	34	51	15	19	
January '18	33	55	12	21	
By Sector—January '19					*No. responding*
Goods-producing	20	60	20	0	*10*
TUIC	0	100	0	0	*14*
FIRE	31	42	27	4	*26*
Services	7	74	19	-12	*42*

Figure 2 – Profit Margins Net Rising Index



Prices Charged

The NRI for prices charged is 19, down from 37 in the previous quarter. The NRI is similar for all major sectors except for goods-producing firms; respondents from that sector cite broader price increases resulting in an NRI of 45.

On balance, fewer respondents than in the previous two surveys expect their firms to raise prices in the first quarter of 2019. The NRI for expected prices charged fell to 28 from 37 in the October survey and 33 in the July survey. Price increases, on net, were expected during the first quarter of 2019 across all sectors, with goods-producing firms leading the trend with an NRI of 55.

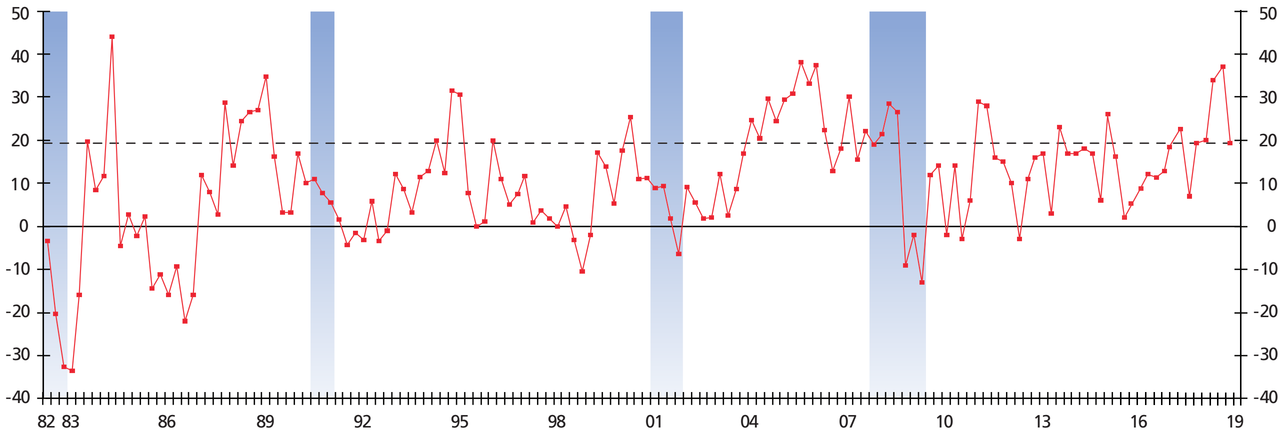
Percent of total respondents (99) reporting that over the past 3 months prices charged by their firms have been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**26**	**67**	**7**	**19**	
October '18	40	56	3	37	
July '18	38	59	3	34	
April '18	27	65	8	20	
January '18	23	72	5	19	
By Sector—January '19					*No. responding*
Goods-producing	64	18	18	45	*11*
TUIC	29	57	14	14	*14*
FIRE	23	70	7	17	*30*
Services	18	80	2	16	*44*

Expected next 3 months—percent of total respondents (96)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**33**	**61**	**5**	**28**	
October '18	41	56	3	37	
July '18	37	58	4	33	
April '18	31	60	9	22	
January '18	28	67	6	22	
By Sector—January '19					*No. responding*
Goods-producing	55	45	0	55	*11*
TUIC	29	64	7	21	*14*
FIRE	26	63	11	15	*27*
Services	34	64	2	32	*44*

Figure 3 – Prices Charged Net Rising Index



Materials Costs

The overall NRI for materials costs for the fourth quarter of 2018 is 37, down from 53 in the October survey, and the lowest reading since the October 2017 survey. All four sectors have positive NRIs for materials costs during the previous three months, led by the goods-producing sector with an NRI of 64. The NRI for expected changes in materials costs for the next three months is 44, a one-year low. Respondents from the FIRE sector expect more broad-based increases in material costs in the next three months than do other panelists: 61% of FIRE respondents expect a rise in materials costs during the first quarter of 2019, and none expect lower costs.

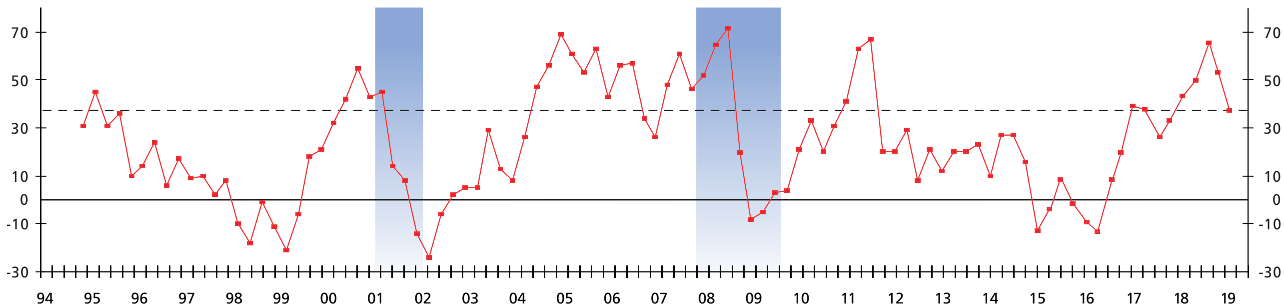
Percent of total respondents (78) reporting that the materials costs at their firms over the past 3 months have been generally:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**44**	**50**	**6**	**37**	
October '18	55	44	1	53	
July '18	65	35	0	65	
April '18	54	43	4	50	
January '18	47	49	3	44	
By Sector—January '19					*No. responding*
Goods-producing	73	18	9	64	*11*
TUIC	58	17	25	33	*12*
FIRE	52	43	5	48	*21*
Services	24	76	0	24	*34*

Expected costs in next 3 months—percent of total respondents (73)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**47**	**51**	**3**	**44**	
October '18	59	38	2	57	
July '18	64	35	1	63	
April '18	54	43	4	50	
January '18	42	56	2	40	
By Sector—January '19					*No. responding*
Goods-producing	45	45	9	36	*11*
TUIC	42	50	8	33	*12*
FIRE	61	39	0	61	*18*
Services	41	59	0	41	*32*

Figure 4 – Materials Costs Net Rising Index



Wages

Consistent with data from the Bureau of Labor Statistics (BLS) reflecting the acceleration in average hourly earnings, survey results indicate that wage and salary growth remained strong through the end of 2018, and that further strengthening in compensation growth is expected over the next three months. The NRI for wages and salaries increased from a previous record high of 56 in October to a new record of 58 in the January survey. While the NRIs for FIRE and TUIC sectors remain relatively stable, at 66 and 77, respectively, the NRI for goods-producing firms more than doubled—from 43 in October to 89 in January. The NRI for the services sector declined to 40 from 47 in October.

Wage gains are expected to remain widespread over the next three months. The NRI for expected wage costs increased from 56 in October to 74 in January. Wage cost increases are anticipated to be broad-based across sectors, as the forward-looking NRIs for wage costs over the next three months range from 66 in the services sector to 89 for the goods-producing sector.

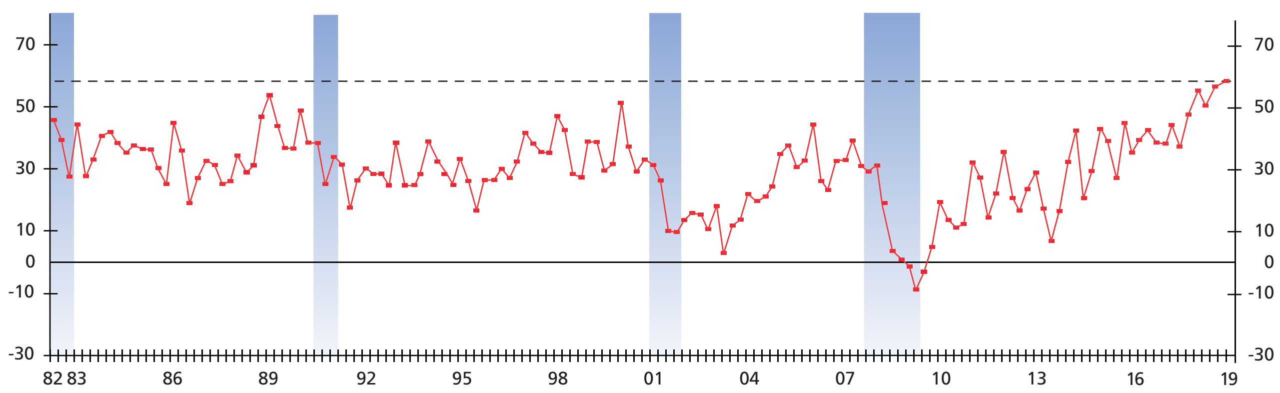
Percent of total respondents (97) reporting that in the past 3 months their firms' wages and salaries have been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**58**	**42**	**0**	**58**	
October '18	57	43	1	56	
July '18	51	49	0	51	
April '18	56	43	1	55	
January '18	48	52	0	48	
By Sector—January '19					*No. responding*
Goods-producing	89	11	0	89	*9*
TUIC	77	23	0	77	*13*
FIRE	66	34	0	66	*32*
Services	40	60	0	40	*43*

Expected wage costs in next 3 months—percent of total respondents (91)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**75**	**24**	**1**	**74**	
October '18	56	44	0	56	
July '18	63	36	1	62	
April '18	58	41	1	57	
January '18	58	42	0	58	
By Sector—January '19					*No. responding*
Goods-producing	89	11	0	89	*9*
TUIC	85	15	0	85	*13*
FIRE	79	18	4	75	*28*
Services	66	34	0	66	*41*

Figure 5 – Wages Net Rising Index



Employment

Survey results indicate that, on net, firms continue to hire workers. At 25, the January NRI increased modestly from 23 in October. January's reading is, however, well below the all-time high of 41 in the July 2018 survey. Consistent with the wage NRI, goods-producing sector employment has the strongest NRI of 64. The NRI for employment gains expected over the next three months declined to 25 in January from 29 in October and 38 in July. The decline in expected employment increases is being driven by the FIRE sector, which has a forward-looking NRI of 14, down from 33 in October.

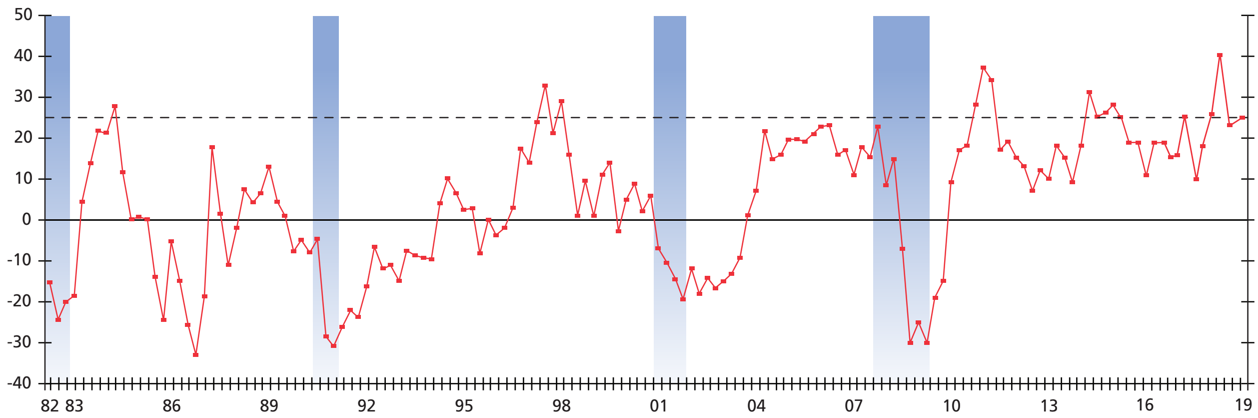
Percent of total respondents (103) reporting that over the past 3 months employment at their firms has been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**35**	**55**	**10**	**25**	
October '18	31	61	8	23	
July '18	44	53	3	41	
April '18	36	55	10	26	
January '18	27	64	9	18	
By Sector—January '19					*No. responding*
Goods-producing	64	36	0	64	*11*
TUIC	43	36	21	21	*14*
FIRE	30	52	18	12	*33*
Services	29	69	2	27	*45*

Expected next 3 months—percent of total respondents (95)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**35**	**56**	**9**	**25**	
October '18	37	55	8	29	
July '18	41	56	3	38	
April '18	39	52	9	30	
January '18	35	56	8	27	
By Sector—January '19					*No. responding*
Goods-producing	36	45	18	18	*11*
TUIC	36	50	14	21	*14*
FIRE	29	57	14	14	*28*
Services	38	60	2	36	*42*

Figure 6 – Employment Net Rising Index



Capital Spending

After a year of robust capital spending, investment was less widespread in the fourth quarter of 2018, as the NRI fell to 26 in January from 39 in October. This is the lowest reading since the July 2017 survey. The FIRE sector has the highest NRI reading, at 38, among all sectors.

Expectations for the next three months slackened similarly, with the NRI falling from 37 in October to 20 in January. The NRIs for capital spending in the first quarter of 2019 remained especially strong in the goods-producing and FIRE sectors, although some respondents from those sectors do report declines. The NRI for the TUIC sector fell sharply to 0, as 25% of respondents expect declines in capital spending at their firms in the first quarter of 2019.

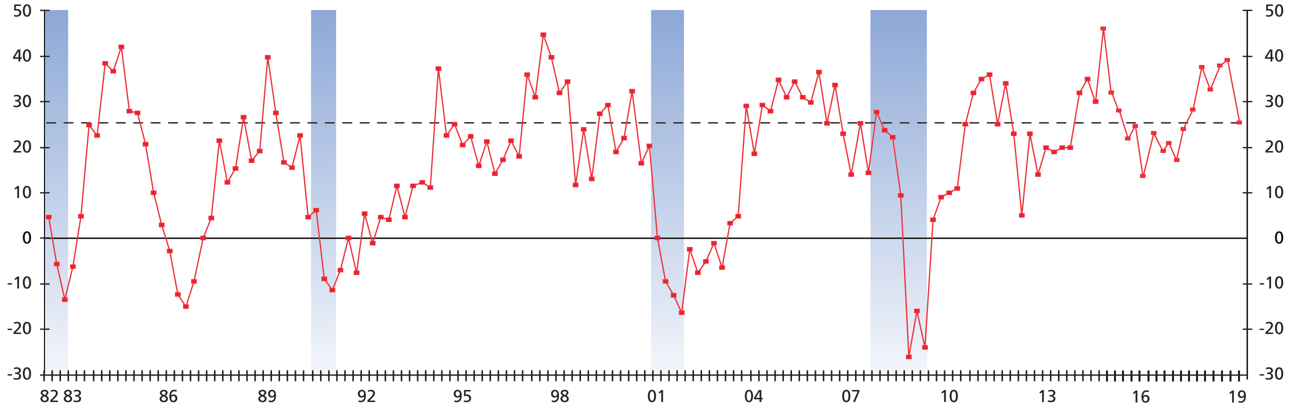
Percent of total reporting (88) that over the past 3 months, their firms' capital spending has been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**35**	**56**	**9**	**26**	
October '18	42	56	3	39	
July '18	45	48	7	38	
April '18	39	55	6	33	
January '18	43	51	6	37	
By Sector—January '19					*No. responding*
Goods-producing	44	33	22	22	*9*
TUIC	42	33	25	17	*12*
FIRE	41	55	3	38	*29*
Services	26	68	5	21	*38*

Expected next 3 months—percent of total reporting (82)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**30**	**59**	**11**	**20**	
October '18	41	56	4	37	
July '18	50	44	6	44	
April '18	45	47	8	36	
January '18	46	43	12	34	
By Sector—January '19					*No. responding*
Goods-producing	44	44	11	33	*9*
TUIC	25	50	25	0	*12*
FIRE	42	54	4	38	*24*
Services	22	68	11	11	*37*

Figure 7 – Capital Spending Net Rising Index



Information and Communications Technology Capital Spending

The NRI for information and communications technology (IT) capital spending remained strong at 45 in January, down only slightly from the October reading of 49, but higher than other readings during the rest of 2018. The FIRE and goods-producing sectors have the highest NRIs of 60 and 57, respectively. The forward-looking NRI for IT spending in the next three months, however, did decline, to 33 from 44 in October. The services sector's forward-looking NRI of 10 dragged down the average from 50 or above for all other sectors.

Percent of total reporting (91) that over the past 3 months their firms' capital spending on information and communications technology has been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**51**	**44**	**5**	**45**	
October '18	51	46	3	49	
July '18	47	47	6	41	
April '18	45	48	6	39	
January '18	45	52	3	42	
By Sector—January '19					*No. responding*
Goods-producing	57	43	0	57	*7*
TUIC	50	42	8	42	*12*
FIRE	67	27	7	60	*30*
Services	38	57	5	33	*42*

Expected next 3 months—percent of total reporting (85)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**39**	**55**	**6**	**33**	
October '18	48	48	4	44	
July '18	51	45	5	46	
April '18	52	42	6	46	
January '18	51	40	8	43	
By Sector—January '19					*No. responding*
Goods-producing	57	43	0	57	*7*
TUIC	50	50	0	50	*12*
FIRE	58	38	4	54	*26*
Services	20	70	10	10	*40*

Structures Capital Spending

Capital spending on structures at respondents' firms was not as robust as other capital spending in the fourth quarter of 2018. The NRI in January is 9, a reading that has been almost constant for a year. The goods-producing sector has the highest NRI among sectors (67), with no respondents from goods-producing firms reporting declines. Services sector responses result in an NRI of -15, as one-fifth of panelists from services firms indicates spending on structures at their firms declined in the fourth quarter. The outlook for capital spending on structures for the next three months is very similar to expectations reported in the October survey, and the NRI is unchanged at 9. The goods-producing sector accounts for the highest percentage—40%—of respondents reporting expected increases in structures capital spending in the next three months, and none expecting decreases.

Percent of total reporting (64) that over the past 3 months their firms' capital spending on structures has been:

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**23**	**63**	**14**	**9**	
October '18	21	70	9	11	
July '18	22	66	12	9	
April '18	23	66	11	11	
January '18	18	66	16	3	
By Sector—January '19					*No. responding*
Goods-producing	67	33	0	67	*6*
TUIC	17	67	17	0	*12*
FIRE	31	58	12	19	*26*
Services	5	75	20	-15	*20*

Expected next 3 months—percent of total reporting (58)

Survey Month	Rising	Unchanged	Falling	NRI	
January '19	**22**	**64**	**14**	**9**	
October '18	20	69	11	9	
July '18	24	64	12	12	
April '18	24	66	10	13	
January '18	19	64	17	1	
By Sector—January '19					*No. responding*
Goods-producing	40	60	0	40	*5*
TUIC	17	67	17	0	*12*
FIRE	26	52	22	4	*23*
Services	17	78	6	11	*18*

Shortages

More than half of respondents, 53%, report shortages of skilled labor at their firms, an increase from 47% in October and the highest percentage since October 2000. The percentage of panelists reporting difficulty hiring unskilled labor is 13%, unchanged from the October survey, but an increase from 8% a year ago. Notably, the share of respondents reporting raw material input shortages declined sharply to 1%, and no respondents reported shortages for capital goods.

Percent of total (106) reporting shortages at their firms over the past 3 months:

Type of input	January '19	October '18	July '18	April '18	January '18
Skilled labor	**53**	47	39	45	39
Unskilled labor	**13**	13	12	16	8
Intermediate inputs	**5**	6	4	5	3
Raw material inputs	**1**	6	4	4	2
Capital goods	**0**	2	3	0	1
No shortages	**37**	38	47	37	48
Don't Know	**8**	11	12	14	12

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

GDP Forecast Underpinning Current Planning

Fewer panelists than in any of the 2018 surveys expect real GDP to increase by more than 3% in the next four quarters. In the January survey, only 3% of respondents expect real GDP growth to exceed 3%, whereas 4% of panelists expect growth of 1% or less, and 1% of panelists predict flat or declining real GDP between the fourth quarter of 2018 and the fourth quarter of 2019. In contrast, one-sixth (16%) of respondents in the October survey projected real GDP growth would exceed 3% from the third quarter of 2018 to the third quarter of 2019, and none predicted a decline in real GDP over that period. Ninety-two percent of respondents in the January survey expect growth between 1.1%-to-3.0% in the next four quarters, compared to 81% in the October survey.

Percent of total (102) reporting that real GDP will grow from the fourth quarter of 2018 to the fourth quarter of 2019 by:

	0.0% or less	0.1% to 1.0%	1.1% to 2.0%	2.1% to 3.0%	3.1% to 4.0%	>4.0%
January '19	**1**	**4**	**28**	**64**	**3**	**0**
October '18	0	3	7	74	14	2
July '18	0	3	10	68	17	2
April '18	2	1	13	70	14	0
January '18	0	1	11	73	14	2

Note: The surveys differ in the time period covered by the GDP forecast question. For example, the January 2019 survey asked panelists to forecast real GDP growth from the fourth quarter of 2018 to the fourth quarter of 2019. The October 2018 survey asked panelists to forecast real GDP growth from the third quarter of 2018 to the third quarter of 2019.

Special Questions

1. The U.S. unemployment rate has been at or below 4% since April 2018, suggesting tightness in labor markets. Is your firm taking any steps to address difficulties in staffing? *(Mark all that apply.)*

The share of respondents reporting that their firms have either no difficulties hiring or no open positions has held steady since October. In January, 22% of panelists report no difficulty in hiring, and 19% report no open positions, compared to 23% and 18%, respectively, in October. There has been a shift toward raising wages to address hiring difficulties, as 48% of respondents note their firms are taking that step, compared to 37% in the October survey. For goods-producing and TUIC respondents, "raising wages" is cited by 70% and 64% of panelists, respectively, from each of those sectors. Other commonly reported steps that firms have taken to address hiring difficulties are "trained internal staff" (35%), "paid referral and/or hiring bonuses" (25%), and "invested in labor-saving processes" (22%).

Sector	*No. responding*	Raised wages	Paid retention bonuses	Paid referral and/or hiring bonuses	Lowered work requirements for position	Trained internal staff for promotion	Invested in labor-saving processes	No open positions	No difficulties experienced
Goods-producing	10	70%	40%	50%	20%	50%	30%	0%	20%
TUIC	14	64	36	29	0	64	43	0	14
FIRE	32	47	3	25	6	41	34	6	28
Services	47	38	19	19	11	19	6	38	21
All respondents	***103***	***48%***	***18%***	***25%***	***9%***	***35%***	***22%***	***19%***	***22%***

Note: Totals may sum to more than 100% if respondents entered more than one response.

2. If your firm is experiencing difficulties in hiring, which type of positions are challenging to fill? *(Mark all that apply; SKIP if not applicable.)*

For respondents reporting difficulties in hiring, the positions that are most difficult to staff are high-skill positions—cited by 74% of respondents—followed by difficulty filling mid-skill positions—cited by 52% of respondents. This pattern is consistent across most sectors, with only the goods-producing sector having the most difficulty filling mid-skill positions. Respondents were asked to consider low-skill positions as those requiring a high school diploma or less with minimal work experience, mid-skill positions as those requiring some college or technical schooling and/or equivalent work experience, and high-skill positions as those requiring a college degree or higher and/or equivalent work experience.

Sector	*No. responding*	Low-skill positions (require high school diploma or less and minimal work experience)	Mid-skill positions (require some college or technical schooling or equivalent work experience)	High-skill positions (require college degree or higher or equivalent work experience)
Goods-producing	8	38%	88%	75%
TUIC	10	20	60	60
FIRE	23	22	48	83
Services	21	33	38	71
All respondents	***62***	***27%***	***52%***	***74%***

3. Has your firm adjusted plans for hiring or investments as a result of the 2017 Tax Cuts and Jobs Act?

The majority—84%—of respondents indicate that one year after its passage, the 2017 Tax Cuts and Jobs Act has not caused their firms to change hiring or investment plans—a slight increase from 81% in the previous survey. The goods-producing sector has experienced the largest impact, with 50% of respondents from that sector noting accelerated investments at their firms, and 20% reporting their firms redirected hiring and investments to the U.S.

Sector	*No. responding*	Delayed hiring	Delayed investments	Accelerated hiring	Accelerated investments	Redirected hiring & investments to the U.S.	Redirected hiring & investments from the U.S.	No changes to hiring or investments
Goods-producing	10	0%	0%	10%	50%	20%	0	50%
TUIC	14	7	14	0	14	0	7	71
FIRE	34	3	0	9	3	3	0	85
Services	46	0	0	4	4	2	2	93
All respondents	***104***	***2%***	***2%***	***6%***	***10%***	***4%***	***2%***	***84%***

No. of Employees	*No. responding*	Delayed hiring	Delayed investments	Accelerated hiring	Accelerated investments	Redirected hiring & investments to the U.S.	Redirected hiring & investments from the U.S.	No changes to hiring or investments
≤100	47	0%	0%	4%	6%	2%	0%	89%
>100	57	4%	4%	7%	12%	5%	4%	79%

Note: Totals may sum to more than 100% if respondents entered more than one response.

4. U.S. trade policy remains a key area of uncertainty for many businesses. Has your firm adjusted plans for hiring, investing, and/or pricing in reaction to actual or potential changes in U.S. trade policy? *(Mark all that apply.)*

A majority of respondents (77%) indicates that trade concerns have not caused their firms to change investment, hiring, and pricing plans, a result equivalent to the previous survey. The views of panelists from goods-producing firms differ from those in the other sectors, as only 27% report no changes to hiring and investment plans at their firms. Among goods-producing panelists, 36% report their firms raised prices and 27% indicate their firms delayed investments. A sizable minority of TUIC sector respondents (21%) report delayed investments at their firms, while 14% report delayed hiring.

Sector	*No. responding*	Delayed hiring	Delayed investments	Accelerated hiring	Accelerated investments	Redirected hiring & investments to the U.S.	Redirected hiring & investments from the U.S.	Raised prices	Lowered prices	No changes
Goods-producing	11	9%	27%	9%	18%	9%	18%	36%	0%	27%
TUIC	14	14	21	0	0	0	14	0	0	64
FIRE	34	3	3	3	3	0	3	0	0	91
Services	47	4	6	2	0	4	2	4	2	83
All respondents	***106***	*6%*	*9%*	*3%*	*3%*	*3%*	*6%*	*6%*	*1%*	*77%*

No. of Employees	*No. responding*	Delayed hiring	Delayed investments	Accelerated hiring	Accelerated investments	Redirected hiring & investments to the U.S.	Redirected hiring & investments from the U.S.	Raised prices	Lowered prices	No changes
≤100	47	2%	6%	2%	0%	2%	0%	2%	0%	87%
>100	59	8%	12%	3%	5%	3%	10%	8%	2%	69%

Note: Totals may sum to more than 100% if respondents entered more than one response.

SURVEY PARTICIPATION AND DEFINITIONS

All survey panelists are NABE members who work for private-sector firms or industry trade associations. Panelists are 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, fishing, 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 106 panelists responded to the survey; the number of panelists responding to each question is included in the tables. Nine percent of the panelists were from single-person firms; 22% from firms with 2-10 employees; 13% from firms with 11-100 employees; 16% from firms with 101-1,000 employees; and 40% from firms with more than 1,000 employees.

The NABE Business Conditions Survey—formerly 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. **Sam Kyei, CBE,** SAK Economics LLC (Survey Chair); **Sara Rutledge,** StratoDem Analytics; **Frank Nothaft, CBE,** CoreLogic; **Emily Kolinski Morris, CBE,** Ford Motor Co.; **Jim Diffley, CBE,** IHS Markit; **Tim Mullaly,** FedEx; **Kevin Swift, CBE,** American Chemistry Council; and **Ken Simonson,** Associated General Contractors of America, conducted the analysis for this report.

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