

Business Outlook Optimistic: Survey Says Companies Expect Higher Profits Despite Slowdown

By Judy Newman

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The nation's economic slowdown is being felt in Dane County, according to a survey being released today, but business overall is still in good shape here, a top state economist says.

More than one-third of the Dane County businesses polled are seeing their sales dip in 2007 and one of every five employers reduced its staff this year, according to the 2007 First Business Economic Survey of Dane County. Those figures are the highest in the five years the annual survey has been taken.

Half of the local business executives surveyed say their companies have bigger profits this year than in 2006 and 61.6 percent of them expect an increase in profits in 2008. But that's lower than projections from four of the last five years.

"What this reflects is that ... there's a little bit of uncertainty here in their expectations for 2008," said Dennis K. Winters, chief of the Office of Economic Advisors in the Wisconsin Department of Workforce Development. "That's probably because they're hearing the (nation's) economy has slowed at the end of 2007 and the outlook for 2008 is fairly slow growth, too."

But Dane County is not likely to suffer a big blow, Winters said. "Wisconsin's economy is faring better than the nation as a whole, and Dane County is kind of a hot spot within the state," he said.

More businesses say they plan to increase spending on building projects and new equipment in 2008, after cutting back in those area for the past three years, the survey shows.

That's a good sign, said Winters. "Generally, you make capital expenditures if you're planning on increasing business," he said.

The survey, conducted by the A.C. Nielsen Center for Marketing Research at the UW-Madison School of Business, calculated 544 responses from Dane County businesses between September and November. It was sponsored by the School of Business and First Business Bank and has a margin of error of 5 percent.

Mark Meloy, First Business Bank president and chief executive officer, said the bank has also seen mixed economic signs, with some businesses "continuing to chug along and do just fine and others that have contracted a bit."

For 2008, "I think there's optimism, but it's tempered," Meloy said.

Technology firms are in the best shape of any sector in Dane County, according to the survey. Four of every five expect to show higher profits for 2007, and 86 percent think their profits will rise again next year.

Manufacturing companies are having more of a struggle, though; 55 percent of them anticipate an increase in profits this year and 63 percent foresee an improvement in 2008.

Electronic Theatre Controls falls into both of those categories. The Middleton company makes lighting control systems for entertainment and architectural areas. ETC's revenues are up 15 percent this year, said Fred Foster, chief executive officer.

"One of the reasons we feel that our future is strong is that we've made a lot of investments over the last few years to develop new products, rejuvenating our domestic market," Foster said. At the same time, the weaker value of the dollar has spurred sales overseas.

ETC has 650 employees worldwide, more than 500 of them in Middleton. With an 80,000-square-foot addition to its manufacturing space being built, "I'm sure there will be some additions," Foster said.

More retail shops are enjoying higher profits this year, with 43 percent showing increases, up from the previous two years. Only 52 percent, though, said revenues are up.

Orange Tree Imports, 1721 Monroe St., is one of those. In business for 32 years, co-owner Dean Schroeder said sales had been on an even keel for a while, but they leaped forward in the past year, since the Trader Joe's grocery store opened a block away last November.

"Sales have been up 10 percent to 20 percent every month since then, compared to the previous year," Schroeder said. "Now that (Trader Joe's has) been open for a year, you can't (expect) that kind of increase anymore. But it's been a great boon for the neighborhood, for all the shops."

Other survey results include: Most executives polled said the slowdown in the housing market did not affect their companies in 2007, but 38 percent said it has hurt their businesses.

Firms that sell products or services nationally or internationally did better than those operating only in Dane County.

Wages were steady in 2007 and should remain that way in 2008.

Following a news conference this morning, the report is expected to be available online at www.firstbusiness.com.