

Survey: Area Biz Feels National Pain

By Mike Ivey

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The local economy has been stung by slower sales growth and the housing slide, with three in 10 firms responding to a new business survey saying profits were down from last year.

The fifth annual First Business Economic Survey of Dane County conducted by the UW School of Business released today showed continued optimism among most local executives. But it also reflected the national economic slowdown.

Of 544 local businesses responding, one-third said profits were lower than 2006. Causes cited include higher operating costs, domestic sales shortfall and rising gas prices. Sales growth was 4.7 lower than in 2006.

In addition, nearly 4 in 10 respondents said the housing slump has hurt their bottom line.

David Ward, president of Madison-based North Star Economics, said the slowdown in home building and home sales affects many sectors.

"It runs deep into all areas you normally don't think about like plumbing supplies, the guys who sell carpet and lay it, painters, wallpaper," said Ward.

Going forward, businesses surveyed said they were more cautious with fewer firms expecting to do better in 2008.

Scott Converse, director of technology and innovation programs for executive education at the UW School of Business, said the 2007 survey results were mixed.

"There are clear economic slowdown indications," he said. "Deeper down though, when you look at some of the underlying drivers for growth such as capital expenditures and contained operating expenses, those forward-looking numbers are positive."

Jim Cavanaugh, president of the South Central Federation of Labor, said the numbers suggest that 2008 could be a tough year for working people. He noted that 20 percent of firms responding to the report said they had reduced their work force in the past year.

Cavanaugh also noted that wages here were holding steady.

"I'm not sure if steady means keeping pace with inflation or not," he said. "If you're not keeping up with inflation, then your wages are down."

Other notable survey points: While capital expenditures decreased or remained the same in 2007, more firms are predicting they'll increase investments next year.

Firms that do business nationally and internationally fared better than those who only do business in Dane County; businesses in the technology sector performed the best.

Labor numbers dipped slightly. The number of firms reporting lower employment was up 2.2 percent. Firms that do business nationally or internationally saw the largest decrease (9.6 percent) in actual number of employees.

For 2008, the percentage of firms predicting lower employment is up slightly and the number of firms predicting their labor to grow is down.

Despite the challenges, First Business Financial Services President Corey Chambas said Dane County remains a great place to do business.

"The unique makeup of Dane County i- the university, the state, the biotech industry - helps foster economic consistency and these results give us many reasons to be optimistic about 2008," he said.

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