



Measuring the health of Utah's economy from the perspective of business leaders throughout the state

*Study conducted for*  
**Utah Quarterly Economic Forecast**  
**2006 3rd Quarter Summary**

*Study sponsored by*  
**ZIONS BANK®**

*Study conducted by*  
**Dan Jones**  
**& ASSOCIATES**

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## Introduction

Zions Bank commissioned Dan Jones & Associates, Inc., a full-service, independent, public opinion and market research firm located in Salt Lake City, Utah, to conduct and compile an online quarterly research study of business executives and key decision makers throughout the state of Utah.

## Research Objectives

This research is designed to reveal the following:

- Gauge the health of Utah's economy
- Reveal trends in the Utah marketplace

## Procedures

Dan Jones & Associates developed the questionnaire in conjunction with Rob Brough, Senior Vice President at Zions Bank. To meet the research objectives, 1169 Utah business executives and key decision makers were recruited to form a study panel.

## Sample

Dan Jones & Associates utilized lists of Utah businesses statewide to develop a survey universe. During the two months prior to the first cycle of data collection in July 2006, businesses were randomly selected from the sample universe, and executives were asked to join the study panel. Panelists were also recruited from participants of Zions Bank's International Trade and Business Conference, held in May 2006. Screening questions were asked to assure that all participating companies had at least 10 full-time employees.

## Fieldwork

The first wave (2Q06) of the online study took place July 12–21, 2006 and the second wave (3Q06) October 2–13, 2006. Surveys were completed utilizing a secure Web site. Each executive was provided a unique link to the site via e-mail. Contact information was used by Dan Jones & Associates only to facilitate participation in this study and will never be shared with any other party or used for any other purpose.

To assure panelist anonymity, Dan Jones & Associates collected, compiled, analyzed, and tested all data. Forecast results are provided to Zions Bank, panel members, and the media in aggregate form only. Demographic data was collected to provide opinions of subgroups and to tabulate the data. Fieldwork is being conducted on an ongoing quarterly basis to reveal trends in the Utah marketplace.

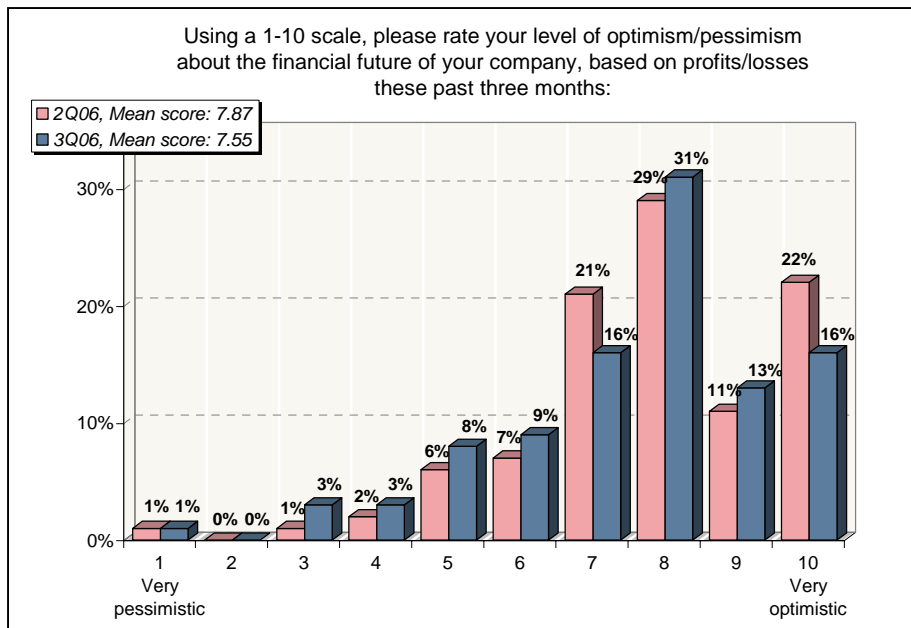
## Executive Summary

Overall, Utah executives believe their company's financial health in the upcoming quarter will be better than or comparable to the quarter just completed. However, they appear to be more cautiously optimistic and are likely to spend less on capital expenditures. Finding qualified employees, health insurance costs for employees, and keeping qualified employees are the issues of greatest concern. Concern for the price of gasoline, which topped the list of concerns in the second quarter but is now surpassed by the employee issues just mentioned, remains a significant concern.

### Optimism in Financial Future Not as High as Last Quarter

For Utah business leaders, optimism about the financial future of their company is not as high in the third quarter of 2006 as it was in the second quarter. However, this is not to say executives have become pessimistic, but rather cautiously optimistic.

In the current quarter, based on profits and losses over the past three months, three out of ten business leaders (29%) rated their optimism in the financial future of their company a 9 or 10, using a 1 to 10 scale (very pessimistic to very optimistic). This is down marginally from the second quarter when 33% rated their optimism at 9 or 10. Stepping down one tier, 47% rate their optimism in the financial future of their company at 7 or 8, again down slightly from the previous quarter (50%). Looking at the four highest ratings combined, three-quarters of the panelists (76%) rate their optimism level at 7 through 10, compared to 83% in the second quarter.



Executives expressing the highest degree of optimism are those whose company has been in business at least five years and those with more full-time employees. In other words, as the number of full-time employees increases, so does the likelihood that the executive will express greater financial optimism.

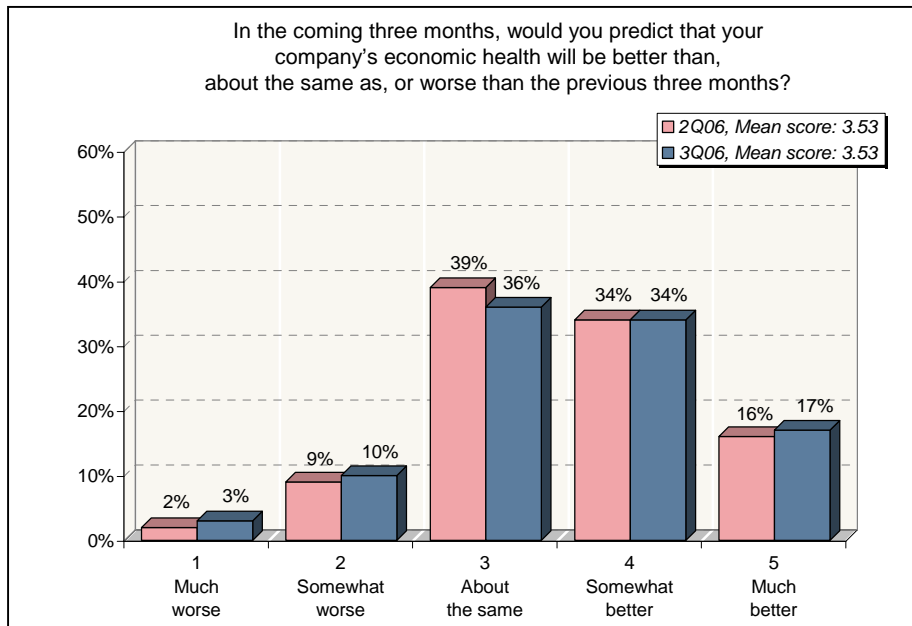
On the lower end of the scale, 1% continue to rate the outlook of their company’s financial future at 1 or 2 (2Q06: 1% and 3Q06: 1%), while 6% rate their optimism at 3 or 4, which is three percentage points more than in the second quarter (3%). One in six place their optimism right in the middle of the scale (ratings of 5 and 6), slightly more than last quarter (2Q06: 13% and 3Q06: 17%). Business leaders age 35 to 44 are more likely to rate their optimism in the middle of the scale.

### Outlook for Economic Health Remains Strong

As in the previous quarter, half of the members of the Utah business panel predict that their company’s economic health will be better in the next three months than it was in the preceding three months. Broken down, one out of six feel that it will be much better (2Q06: 16% and 3Q06: 17%), and one-third believe it will be somewhat better (2Q06: 34% and 3Q06: 34%). Conversely, roughly one out of nine predict the economic health of their company in the upcoming quarter will be worse than it was in the previous quarter. Of this group, most, however, say it will be somewhat worse (2Q06: 9% and 3Q06: 10%) rather than much worse (2Q06: 2% and 3Q06: 3%).

A plurality of executives predict the economic health of their company will remain about the same in the next three months as it has been in the previous three months (2Q06: 39% and 3Q06: 36%).

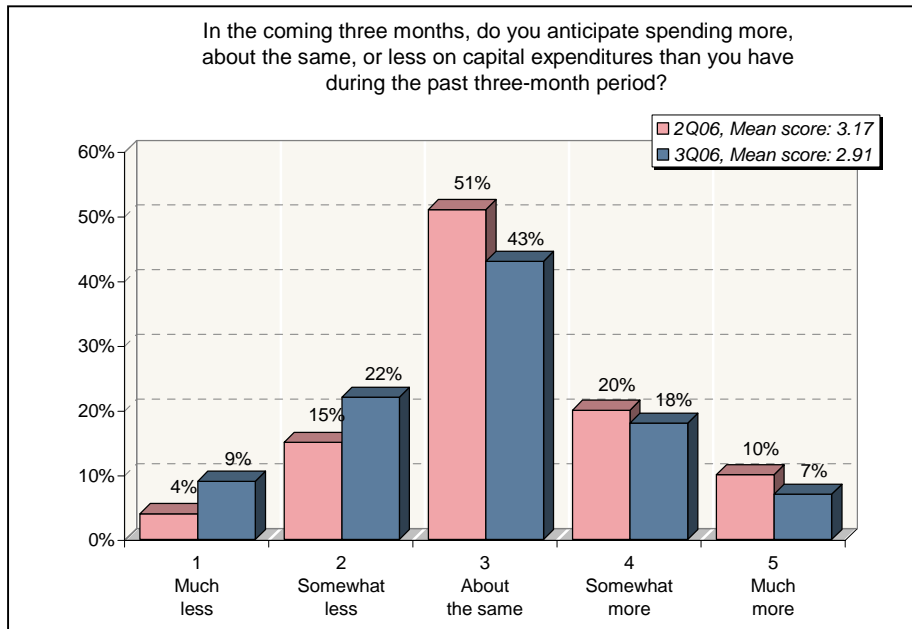
Executives in businesses that are not seasonal in nature are more likely to say their company’s economic health will be better in the upcoming three months.



## Capital Expenditures Are Predicted to Be Lower Than in the Second Quarter

During the second quarter, a higher percentage of panelists declared that they anticipated spending more on capital expenditures during the upcoming quarter than they had in the previous quarter (2Q06 *more*: 30% and 2Q06 *less*: 19%). The data flip-flopped for the third quarter with a higher percentage now saying they anticipate spending less (3Q06 *more*: 25% and 3Q06 *less*: 31%).

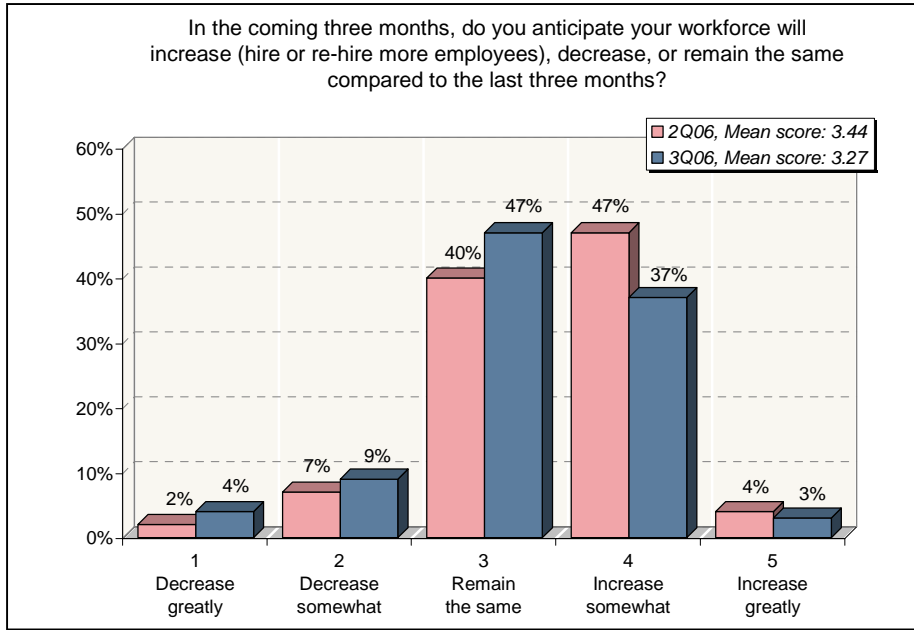
Further analysis reveals that male panelists are more likely to say their company will be spending more on capital expenditures during the next quarter than they did in the previous quarter.



## Workforces Likely to Stay the Same or Increase in Fourth Quarter

Entering the last quarter of 2006, fewer executives anticipate increasing their workforce as did in the previous quarter (2Q06: 51% and 3Q06: 40%, combining *increase somewhat* and *increase greatly* responses). However, the number of business leaders saying they will be hiring during the next quarter is three times greater than those saying their workforce will be decreasing (3Q06 *increasing*: 40% and 3Q06 *decreasing*: 13%). Nearly half (47%) of all panelists predict the size of their workforce will remain status quo throughout the next quarter.

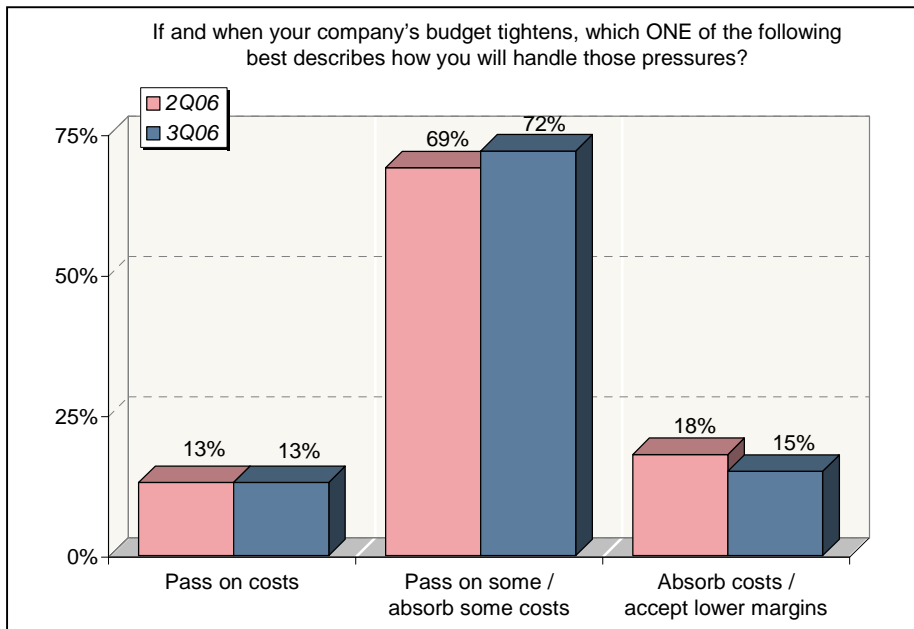
Male panelists are more likely to say their company's workforce will be increasing, while females are more likely to say their company's workforce will be remaining the same size. Not surprisingly, executives in businesses that are seasonal in nature are less likely to say their company's workforce will be staying the same size during the next three months.



### Executives Say They Can Handle a Tighter Budget

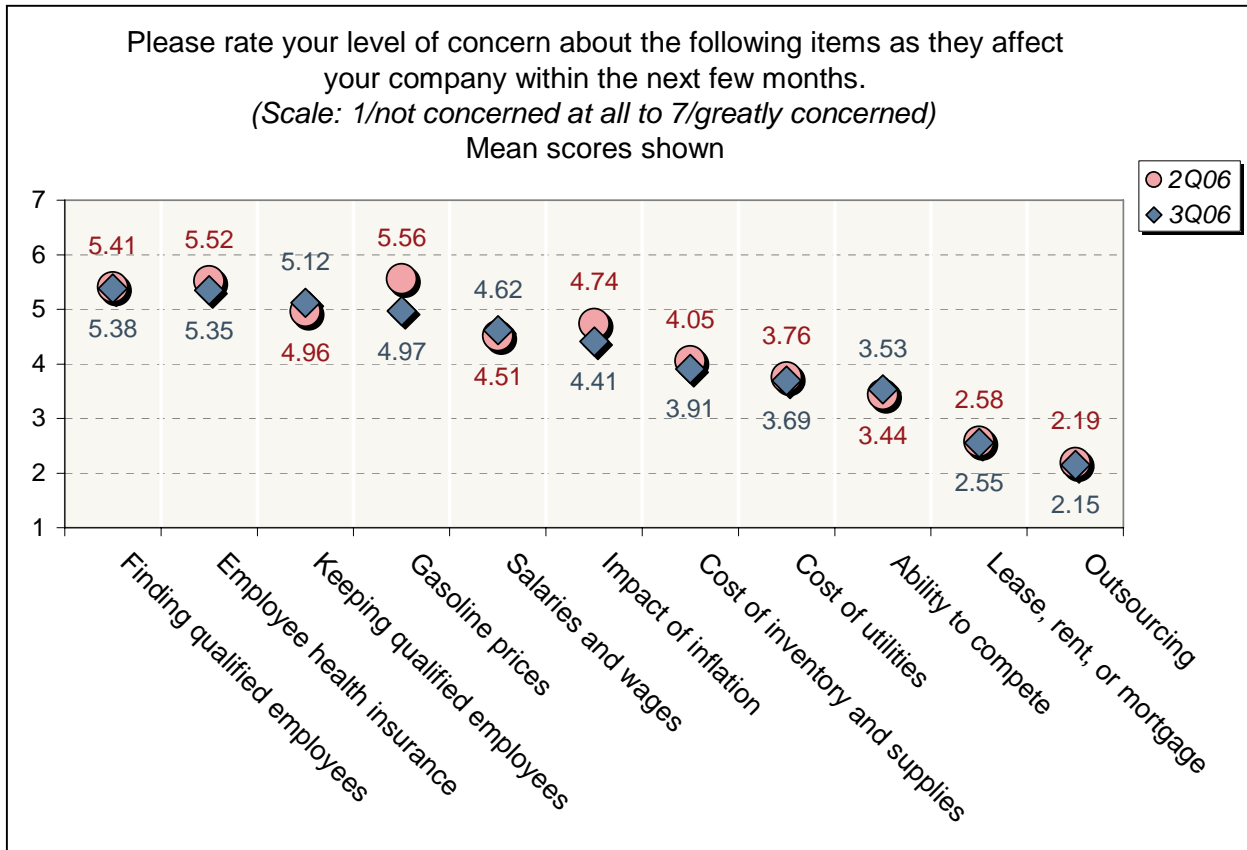
Sentiments have changed little from the second quarter of 2006 in regard to how panelists would handle a tightening budget. Seven out of ten (2Q06: 69% and 3Q06: 72%) continue to say their plan of action if their company’s budget tightens will be a combination of passing on some costs and absorbing some costs. In the third quarter, approximately the same percentage anticipate they will pass on costs (3Q06: 13%) and absorb costs (3Q06: 15%).

There is a higher likelihood among male panelists and those over age 44 to say they will pass on costs if budgets tighten.



## Employee Issues Are Top Executive Concerns

Topping the list of concerns at the end of the third quarter, in the eleven categories measured, are: finding qualified employees, the cost of health insurance for employees, and keeping qualified employees, all with mean scores above 5.00 on the 1-to-7 scale (not concerned at all to very concerned). These, along with gasoline prices which has now dropped to fourth place, were all top concerns in the second quarter as well.

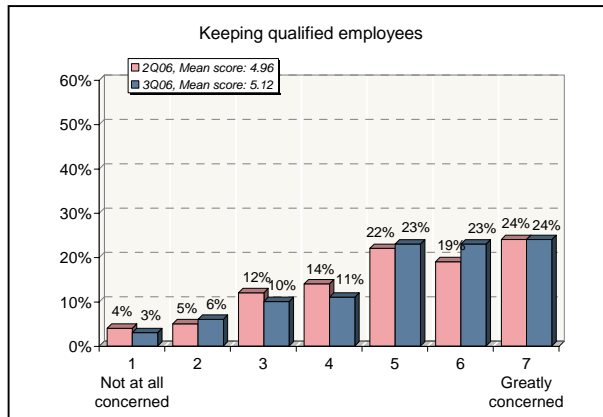
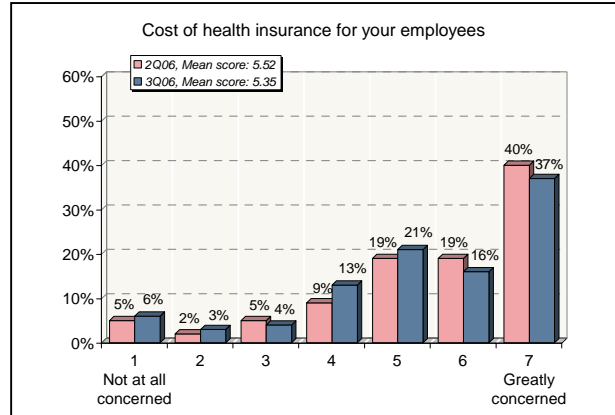
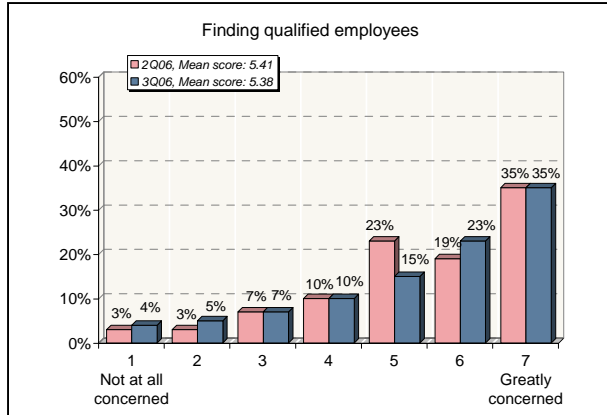


The mean score for finding qualified employees is fundamentally unchanged between the two quarters (2Q06 5.41 and 3Q06: 5.38), with four out of seven panelists (58%) rating their concern about this issue a 6 or 7 compared to 54% in the second quarter. As the size of the company (number of employees) increases, so does the likelihood that the executive will rate finding qualified employees as a major concern.

The cost of employee health insurance (2Q06: 5.52 and 3Q06: 5.35) continues to be the second highest concern, although the mean score did decrease by 0.17 points. Likewise, panelists rating their concern over the cost of providing health insurance for their employees a 6 or 7 decreased from 59% to 53%.

Distinguished as the issue with the greatest increase in mean score (+0.16) is keeping qualified employees (2Q06: 4.96 and 3Q06: 5.12), ranking third in the current data and

fourth in the previous quarter. Two in five panelists (43%) rate this issue a 6 or 7, up marginally from 39% in the second quarter. The panelists most likely to express greater concern about keeping qualified employees are: those whose company has more full-time employees (as the number of employees increases so does the concern), those whose businesses have been operating for a shorter period of time (as number of years decreases, concern increases), and those age 35 to 54.

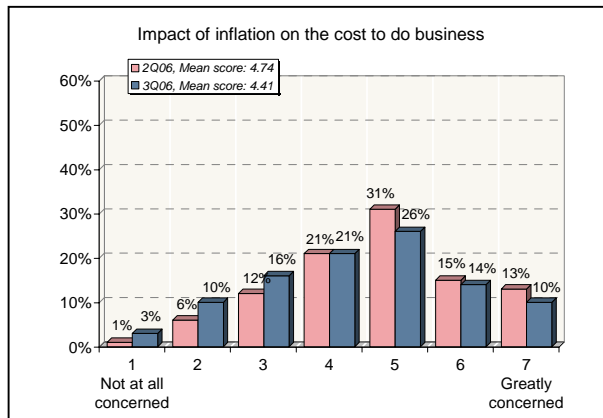
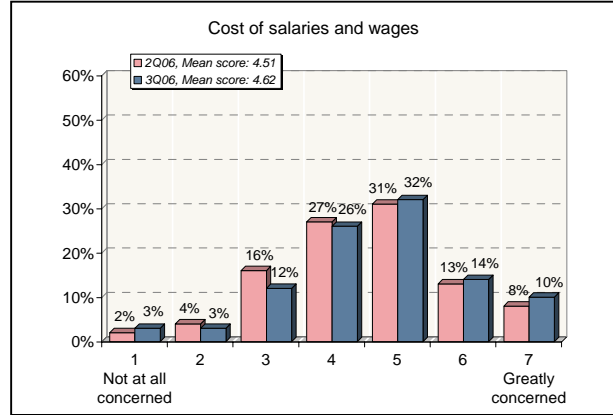
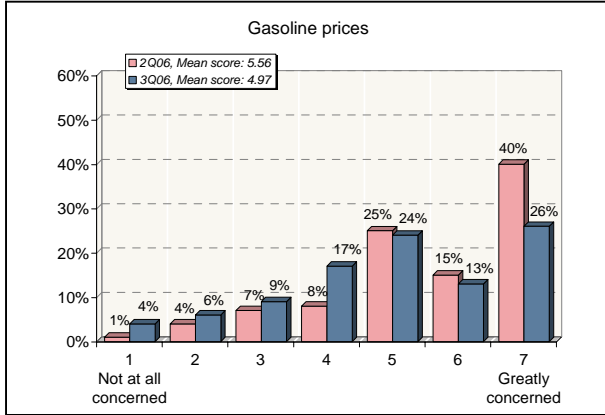


The price of gasoline, which was the top concern last quarter, ranks fourth in the current quarter, and its mean score dipped slightly below 5.00 (2Q06: 5.56 and 3Q06: 4.97). Likewise, concern over gasoline prices posts the greatest decrease in mean scores among all eleven concerns measured (-0.59 points). Demographic groups most likely to say they are concerned about gasoline prices are: females, executives in companies that have been in business for 10 to 25 years, and those age 35 to 54.

Panelists' concern over the cost of salaries and wages increased slightly from the second to the third quarter (2Q06: 4.51 and 3Q06: 4.62, up 0.11 points). Business leaders between the ages of 45 and 64 are more likely to say they are concerned about the cost of salaries and wages.

The impact of inflation on the cost to do business falls right in the middle of the current list of concerns with a mean score of 4.41 on the 7-point scale, a change of -0.33 from

the second quarter (2Q06: 4.74). Panelists most concerned about the impact of inflation are: those whose company has fewer full-time employees (as the number of employees decreases, concern increases), females, and those whose business is not located along the Wasatch Front.

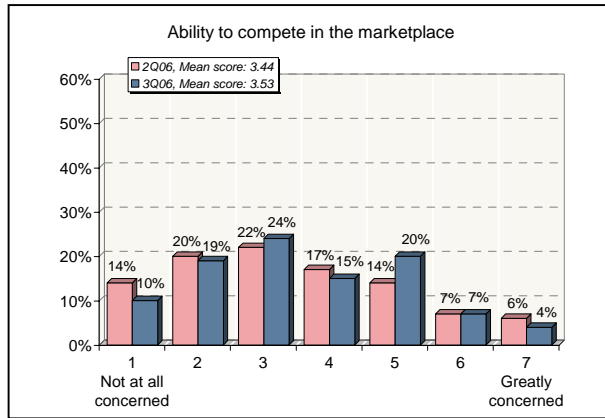
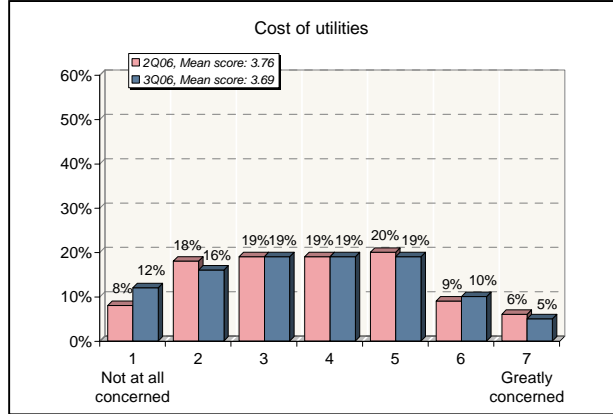
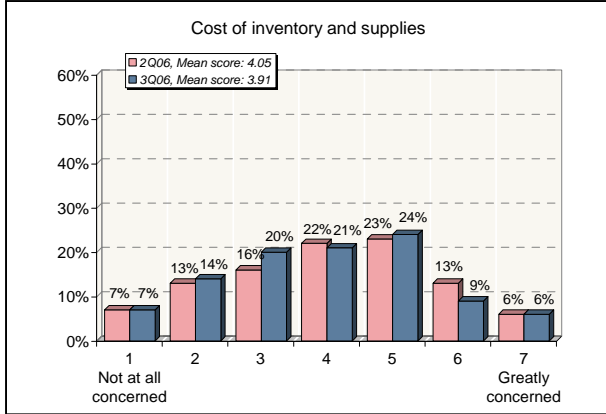


The cost of inventory and supplies (2Q06: 4.05 and 3Q06: 3.91), the cost of utilities (2Q06: 3.76 and 3Q06: 3.69), and the ability to compete in the marketplace (2Q06: 3.44 and 3Q06: 3.53) wrap up the concerns with mean scores above the midpoint of 3.00.

Panelists whose businesses have been operating for a shorter period of time are more likely to rate the cost of inventory and supplies a greater concern (as years in business decreases, the likelihood of concern increases).

Male panelists, those in companies with 26 to 50 employees, and younger executives are more likely to rate the cost of utilities a lesser concern.

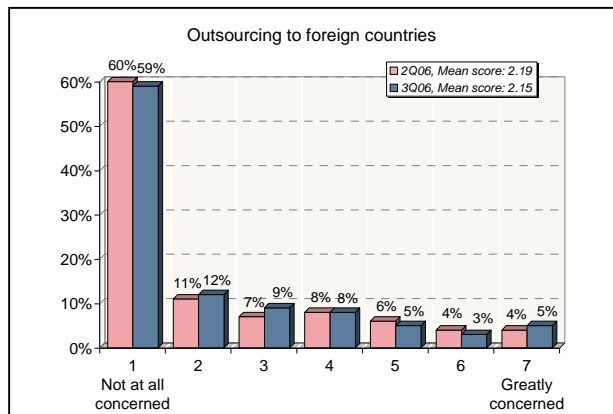
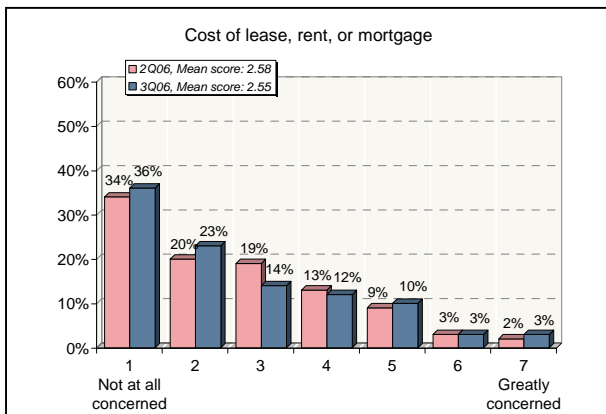
Executives in companies with 101 to 250 full-time employees are more likely to say the ability to compete in the marketplace is a lesser concern.



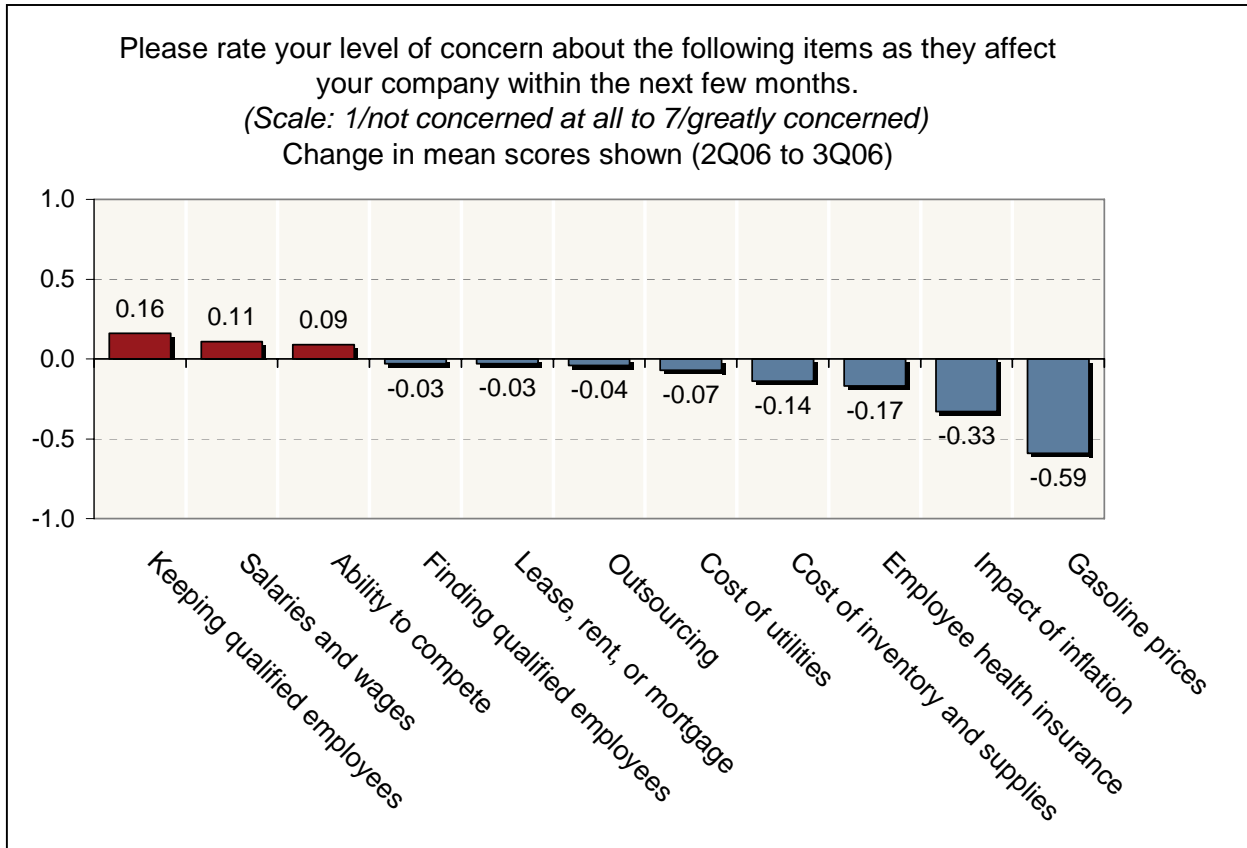
The final two issues both garner mean scores below the midpoint, just as they did in the previous quarter: the cost of lease, rent, or mortgage (2Q06: 2.58 and 3Q06: 2.55) and outsourcing to foreign countries (2Q06: 2.19 and 3Q06: 2.15).

As a company's number of years in business increases so does the likelihood that the panelist will rate the cost of their lease, rent, or mortgage a lesser concern.

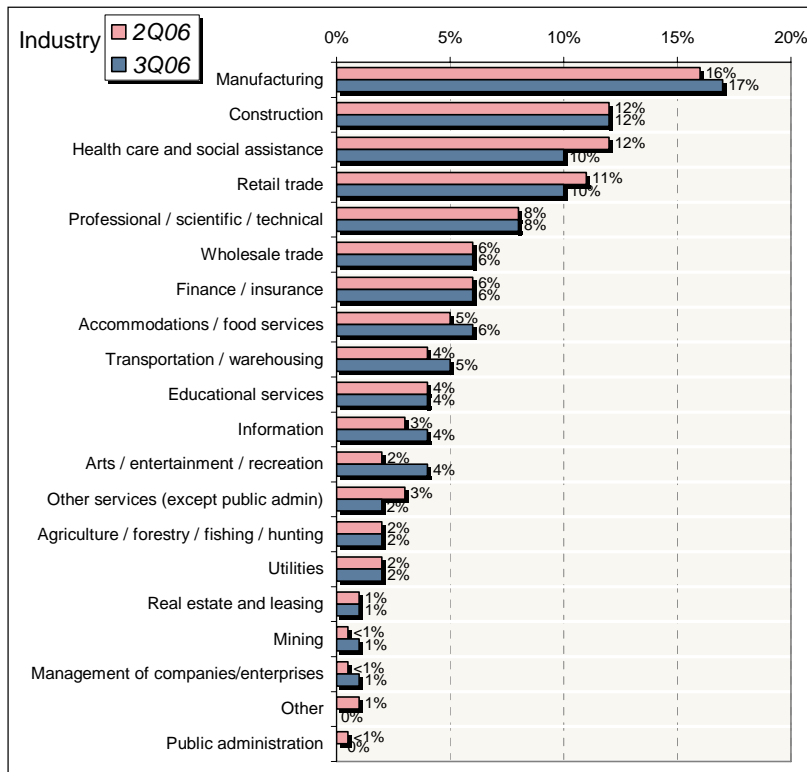
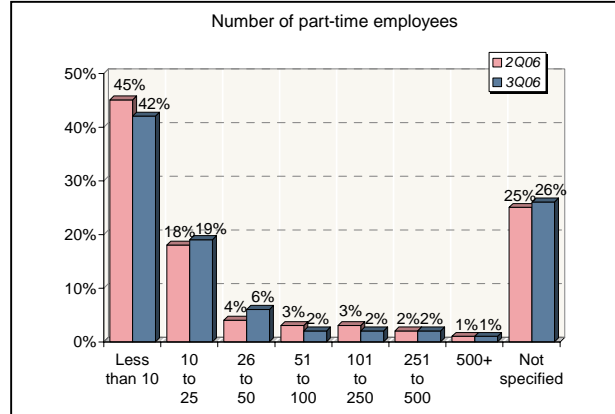
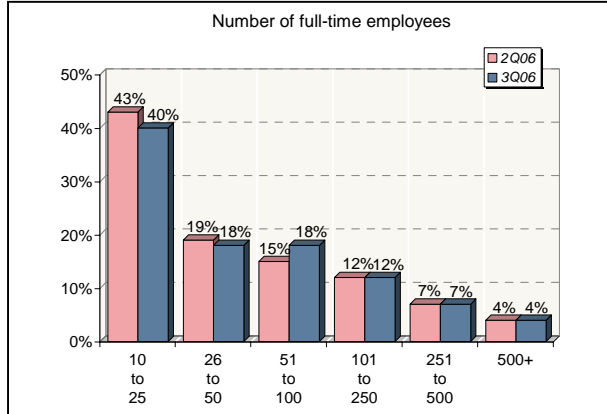
Younger panelists are more likely to rate outsourcing to foreign countries low on the 1-to-7 concern scale.

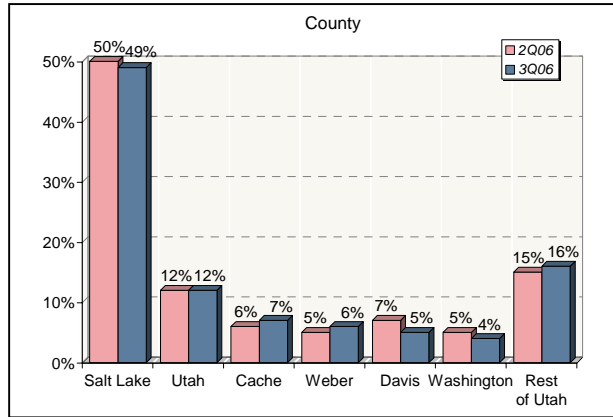
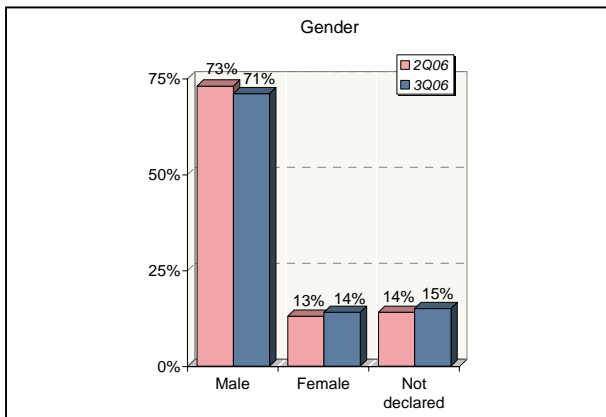
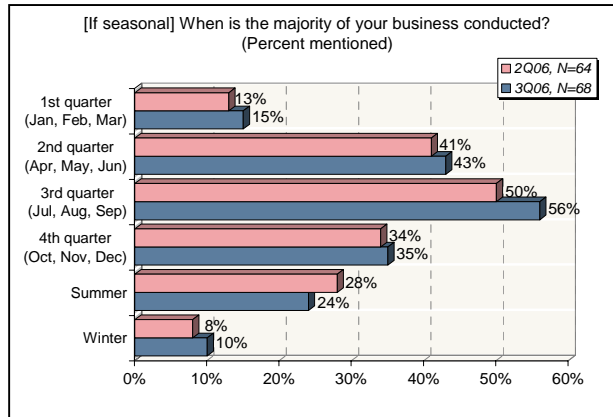
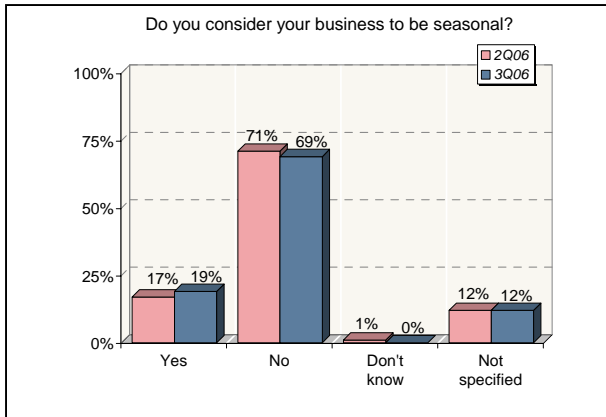
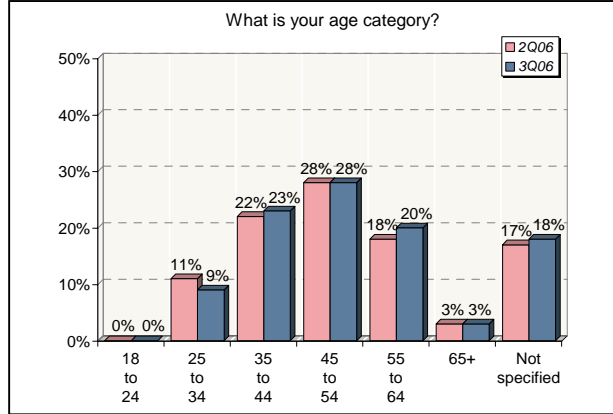
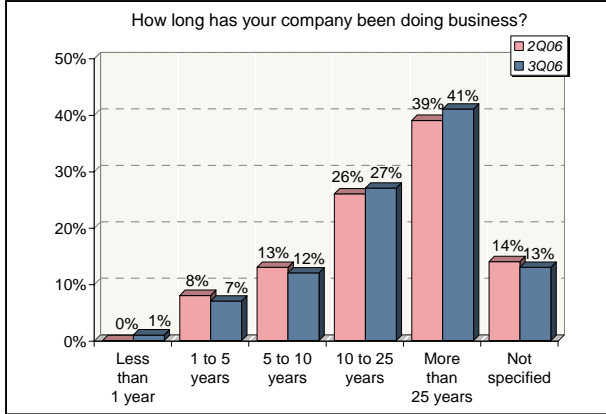


The chart below summarizes the changes in mean scores from the second quarter to the third quarter of 2006. Essentially, keeping qualified employees (+0.16) and the cost of salaries and wages (+0.11) both displayed the greatest increase in concern. Gasoline prices (-0.59), the impact of inflation on the cost to do business (-0.33), the cost of health insurance for employees (-0.17), and the cost of inventory and supplies (-0.14) showed the greatest decrease in mean scores.



# Demographic Characteristics of Panelists





## 2006 – 3rd Quarter – Questionnaire with Longitudinal Results

	<u>2Q06</u>	<u>3Q06</u>
Field dates:	12–21 Jul 2006	2–13 Oct 2006
Completed studies:	387	356
Universe:	Utah statewide – business leaders and key decision makers	
Methodology:	Online panel	

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Thank you for taking a few minutes to answer some questions about your company's economic standing during the last three months and your projections about the next three months.

1. Using a 1–10 scale, please rate your level of optimism/pessimism about the financial future of your company, **based on profits/losses these past three months:**

	<u>2Q06</u>	<u>3Q06</u>
1 / very pessimistic	1%	1%
2	0%	0%
3	1%	3%
4	2%	3%
5	6%	8%
6	7%	9%
7	21%	16%
8	29%	31%
9	11%	13%
10 / very optimistic	22%	16%
<i>Mean score</i>	<i>7.87</i>	<i>7.55</i>

2. In the **coming three months**, would you predict that your company's economic health will be **better** than the prior three-month period, **about the same** as the previous three months, or **worse** than the previous three months?

	<u>2Q06</u>	<u>3Q06</u>
Much worse (1)	2%	3%
Somewhat worse (2)	9%	10%
About the same (3)	39%	36%
Somewhat better (4)	34%	34%
Much better (5)	16%	17%
<i>Mean score</i>	<i>3.53</i>	<i>3.53</i>

3. In the **coming three months**, do you anticipate spending **more**, about the **same**, or **less** on **capital expenditures** than you have during the past three-month period?

	<u>2Q06</u>	<u>3Q06</u>
Much less (1)	4%	9%
Somewhat less (2)	15%	22%
About the same (3)	51%	43%
Somewhat more (4)	20%	18%
Much more (5)	10%	7%
<i>Mean score</i>	3.17	2.91

4. In the **coming three months**, do you anticipate that your workforce will increase (hire or re-hire more employees), decrease, or remain the same compared to the last three months? (This would include full-time, part-time, consultants, and contract/staffing agency employees.)

	<u>2Q06</u>	<u>3Q06</u>
Decrease greatly (1)	2%	4%
Decrease somewhat (2)	7%	9%
Remain the same (3)	40%	47%
Increase somewhat (4)	47%	37%
Increase greatly (5)	4%	3%
<i>Mean score</i>	3.44	3.27

Please **rate your level of concern** about the following items as they affect your company **within the next few months**. Use a 1–7 scale, with one meaning *not concerned at all* and seven meaning you are *greatly concerned*:

5. The cost of health insurance for your employees	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	5%	6%
2	2%	3%
3	5%	4%
4	9%	13%
5	19%	21%
6	19%	16%
7 / Greatly concerned	40%	37%
<i>Mean score</i>	5.52	5.35

6. Gasoline prices	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	1%	4%
2	4%	6%
3	7%	9%
4	8%	17%
5	25%	24%
6	15%	13%
7 / Greatly concerned	40%	26%
<i>Mean score</i>	5.56	4.97

(Continued) Please **rate your level of concern** about the following items as they affect your company **within the next few months**. Use a 1–7 scale, with one meaning *not concerned at all* and seven meaning you are *greatly concerned*:

7.	The cost of salaries and wages	<u>2Q06</u>	<u>3Q06</u>
	1 / Not concerned at all	2%	3%
	2	4%	3%
	3	16%	12%
	4	27%	26%
	5	31%	32%
	6	13%	14%
	7 / Greatly concerned	8%	10%
	<i>Mean score</i>	<i>4.51</i>	<i>4.62</i>
8.	Your ability to compete in the marketplace	<u>2Q06</u>	<u>3Q06</u>
	1 / Not concerned at all	14%	10%
	2	20%	19%
	3	22%	24%
	4	17%	15%
	5	14%	20%
	6	7%	7%
	7 / Greatly concerned	6%	4%
	<i>Mean score</i>	<i>3.44</i>	<i>3.53</i>
9.	Outsourcing to foreign countries	<u>2Q06</u>	<u>3Q06</u>
	1 / Not concerned at all	60%	59%
	2	11%	12%
	3	7%	9%
	4	8%	8%
	5	6%	5%
	6	4%	3%
	7 / Greatly concerned	4%	5%
	<i>Mean score</i>	<i>2.19</i>	<i>2.15</i>
10.	The cost of your company's lease, rent, or mortgage	<u>2Q06</u>	<u>3Q06</u>
	1 / Not concerned at all	34%	36%
	2	20%	23%
	3	19%	14%
	4	13%	12%
	5	9%	10%
	6	3%	3%
	7 / Greatly concerned	2%	3%
	<i>Mean score</i>	<i>2.58</i>	<i>2.55</i>

(Continued) Please **rate your level of concern** about the following items as they affect your company **within the next few months**. Use a 1–7 scale, with one meaning *not concerned at all* and seven meaning you are *greatly concerned*:

11. The cost of utilities	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	8%	12%
2	18%	16%
3	19%	19%
4	19%	19%
5	20%	19%
6	9%	10%
7 / Greatly concerned	6%	5%
<i>Mean score</i>	3.76	3.69
12. The cost of inventory and supplies	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	7%	7%
2	13%	14%
3	16%	20%
4	22%	21%
5	23%	24%
6	13%	9%
7 / Greatly concerned	6%	6%
<i>Mean score</i>	4.05	3.91
13. Finding qualified employees	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	3%	4%
2	3%	5%
3	7%	7%
4	10%	10%
5	23%	15%
6	19%	23%
7 / Greatly concerned	35%	35%
<i>Mean score</i>	5.41	5.38
14. Keeping qualified employees	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	4%	3%
2	5%	6%
3	12%	10%
4	14%	11%
5	22%	23%
6	19%	23%
7 / Greatly concerned	24%	24%
<i>Mean score</i>	4.96	5.12

(Continued) Please **rate your level of concern** about the following items as they affect your company **within the next few months**. Use a 1–7 scale, with one meaning *not concerned at all* and seven meaning you are *greatly concerned*:

15. The impact of inflation on the cost to do business	<u>2Q06</u>	<u>3Q06</u>
1 / Not concerned at all	1%	3%
2	6%	10%
3	12%	16%
4	21%	21%
5	31%	26%
6	15%	14%
7 / Greatly concerned	13%	10%
Mean score	4.74	4.41

**Synopsis of Mean Scores**

	<u>2Q06</u>	<u>3Q06</u>
<i>Finding qualified employees</i>	5.41	5.38
<i>The cost of health insurance for your employees</i>	5.52	5.35
<i>Keeping qualified employees</i>	4.96	5.12
<i>Gasoline prices</i>	5.56	4.97
<i>The cost of salaries and wages</i>	4.51	4.62
<i>The impact of inflation on the cost to do business</i>	4.74	4.41
<i>The cost of inventory and supplies</i>	4.05	3.91
<i>The cost of utilities</i>	3.76	3.69
<i>Your ability to compete in the marketplace</i>	3.44	3.53
<i>The cost of your company’s lease, rent, or mortgage</i>	2.58	2.55
<i>Outsourcing to foreign countries</i>	2.19	2.15

16. ***If and when your company’s budget tightens***, which ONE of the following **best** describes how you will handle those pressures?

	<u>2Q06</u>	<u>3Q06</u>
Pass on costs	13%	13%
Absorb costs / accept lower margins	18%	15%
A combination of the above	69%	72%

**Demographic Data**

17. Number of full-time employees:	<u>2Q06</u>	<u>3Q06</u>
500+	4%	4%
251–500	7%	7%
101–250	12%	12%
51–100	15%	18%
26–50	19%	18%
10–25	43%	40%

18. Number of part-time employees:		<u>2Q06</u>	<u>3Q06</u>
	500+	1%	1%
	251–500	2%	2%
	101–250	3%	2%
	51–100	3%	2%
	26–50	4%	6%
	10–25	18%	19%
	Less than 10	45%	42%
	Refuse	3%	3%
	Not specified	22%	23%
19. Gender:		<u>2Q06</u>	<u>3Q06</u>
	Male	73%	71%
	Female	13%	14%
	Not declared	14%	15%
20. Industry:		<u>2Q06</u>	<u>3Q06</u>
	Agriculture / forestry / fishing / hunting	2%	2%
	Mining	<1%	1%
	Utilities	2%	2%
	Construction	12%	12%
	Manufacturing	16%	17%
	Wholesale trade	6%	6%
	Retail trade	11%	10%
	Transportation / warehousing	4%	5%
	Information	3%	4%
	Finance / insurance	6%	6%
	Real estate and leasing	1%	1%
	Professional / scientific / technical	8%	8%
	Management of companies and enterprises	<1%	1%
	Educational services	4%	4%
	Health care and social assistance	12%	10%
	Arts / entertainment / recreation	2%	4%
	Accommodations / food services	5%	6%
	Other services (except public admin)	3%	2%
	Public administration	<1%	0%
	Waste management / remediation services	0%	0%
	Other	1%	0%

21. How long has your company been doing business?	<u>2Q06</u>	<u>3Q06</u>
Less than 1 year	0%	1%
1 to 5 years	8%	7%
5 to 10 years	13%	12%
10 to 25 years	26%	27%
More than 25 years	39%	41%
Refuse	2%	1%
Not specified	12%	12%
22. Do you consider your business to be seasonal?	<u>2Q06</u>	<u>3Q06</u>
Yes	17%	19%
No	71%	69%
Don't know	1%	0%
Not specified	12%	12%
23. [IF SEASONAL] In which quarter(s) is the majority of your business conducted? (PERCENT MENTIONED)	<u>2Q06</u>	<u>3Q06</u>
<i>Number responding</i>	64	68
1st quarter (Jan, Feb, Mar)	13%	15%
2nd quarter (Apr, May, Jun)	41%	43%
3rd quarter (Jul, Aug, Sep)	50%	56%
4th quarter (Oct, Nov, Dec)	34%	35%
Summer	28%	24%
Winter	8%	10%
24. What is your age category?	<u>2Q06</u>	<u>3Q06</u>
18 to 24	0%	0%
25 to 34	11%	9%
35 to 44	22%	23%
45 to 54	28%	28%
55 to 64	18%	20%
65+	3%	3%
Refuse	3%	3%
Not specified	14%	15%

25. County where your business is headquartered:	<u>2Q06</u>	<u>3Q06</u>
Beaver	<1%	<1%
Box Elder	2%	3%
Cache	6%	7%
Carbon	0%	1%
Daggett	0%	0%
Davis	7%	5%
Duchesne	1%	1%
Emery	<1%	1%
Garfield	0%	<1%
Grand	1%	1%
Iron	1%	1%
Juab	1%	1%
Kane	<1%	<1%
Millard	1%	1%
Morgan	0%	0%
Piute	<1%	<1%
Rich	0%	0%
Salt Lake	50%	49%
San Juan	1%	1%
Sanpete	1%	1%
Sevier	1%	1%
Summit	2%	2%
Tooele	<1%	1%
Uintah	1%	1%
Utah	12%	12%
Wasatch	1%	1%
Washington	5%	4%
Wayne	<1%	0%
Weber	5%	6%
Other	1%	1%

Thank you for completing the Utah Quarterly Economic Forecast. We appreciate your participation.