In Q2 2017 we reached out to a group of Business Banking clients to obtain feedback on the current and near-term outlook for their industries and the overall economy. In this edition of the Business Economic Outlook Survey, we’d like to share a summary of those findings.

Key findings:

- Respondents are considerably more optimistic about the economy. 59% see the economy improving in the next six months, compared to 42% in Q4 2016.

- While optimism is still high among business owners, respondents remain cautious as 53% have no plans to change their direct investments in capital expenditures. Additionally, 75% of business owners are experiencing difficulty finding qualified, experienced applicants to fill open positions, similar to 74% six months ago.

- Healthcare and tax reform are the top legislative priorities for business owners, with the cost and complexity associated with them continuing to be their biggest challenge.

Survey highlights

How do you expect the U.S. economy to perform during the next 6 months?
What are your expectations for your own industry over the next six months?

Q4 2016: 52% Deteriorate, 42% No change, 6% Improve
Q2 2017: 12% Deteriorate, 36% No change, 53% Improve

To what extent do you expect the rising interest rate environment to affect your capital expenditures?

Q4 2016: 22% Decrease, 58% No change, 20% Increase
Q2 2017: 20% Decrease, 65% No change, 15% Increase

Which of the following best describes your company’s employment plans for the next six months?

Q4 2016: 4% Reduce employment levels, 54% Decrease work hours of current employees, 11% Hold employment and work hours at current levels, 30% Increase work hours of current employees without hiring additional workers
Q2 2017: 4% Reduce employment levels, 51% Decrease work hours of current employees, 10% Hold employment and work hours at current levels, 34% Hire additional workers
In general, what are your plans for managing employee wage and salary increases over the next year?

Q4 2016
- Increase by more than 3%: 13%
- Increase by 2% to 3%: 41%
- Increase by less than 2%: 26%
- Hold wage and salary structure flat: 20%

Q2 2017
- Increase by more than 3%: 9%
- Increase by 2% to 3%: 36%
- Increase by less than 2%: 26%
- Hold wage and salary structure flat: 29%

How significant are the following challenges for your business today?

- **Cost of Labor, Health Care and Other Benefits**: 1 (Least Important)
- **Level of Business Taxes**: 2
- **Complying with Government Regulations**: 3
- **Hiring and Retaining Qualified Employees**: 4
- **Cost of Labor Wage Growth**: 5 (Most Important)

How important are the following legislative priorities for your business?

- **Health Care Reform**: 1 (Least Important)
- **Tax Reform**: 2
- **Infrastructure Spending Reform**: 3
- **Employee Labor Law Reform**: 4
- **Trade Deal Reform (i.e. NAFTA)**: 5 (Most Important)

29% plan to hold wage and salary structure flat, up from 20% in Q4 2016

51% of businesses rank “Healthcare Reform” as the most important legislative priority for their businesses