

Michigan's Small Business Leaders Investing at Slower Rate Due to National Economic Uncertainties

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LANSING, Mich., – The latest Michigan Future Business Index survey of small and midsize business leaders shows the state's job providers 'tapping the breaks' due to a variety of national economic uncertainties. While business owners say they remain optimistic that Michigan is headed in the right direction, they also say their shrinking bottom lines are causing them to take a second look at earlier hiring and wage increase plans.

"These surveys are very useful to Accident Fund for taking the economic pulse of small and midsize business owners," Mike Britt, president of Accident Fund Insurance Company of America, which commissions the survey, said. "Small business is the core of our state's economy, and they're concerned that the slowed national economy, coupled with a new dose of regulations will temper Michigan's economic recovery and job growth just as we're on the mend. Small and midsize businesses are our customers, so their feelings about the economy are as important to us as they are to them."

Britt added that the survey shows quite a bit of good news. There are signs that business leaders believe Michigan's recovery continues, albeit at a slower pace, with survey respondents reporting continued growing sales, and more of them revealing plans for new product and service line launches and location openings.

Dissatisfaction with the state's economy has ticked up one point since June to 57 percent, while satisfaction has dropped two points to 41 percent, though satisfaction with the economy is still 14 points stronger now than it was a year ago.

Additionally, the percentage of businesses with new hires is still 20 points higher than one year ago, but statistically unchanged since June of this year. New hiring remained the strongest in West Michigan and there has been a significant increase in hiring among larger businesses (35%) as well as those in construction, manufacturing and distribution (26%). Also a positive sign, 40 percent of business owners reported in the latest MFBI survey that sales had increased over the previous six months, a two-point increase from the June 2012 survey.

Other positive results from the survey include:

- **Six-month business outlook.** While optimism has ebbed slightly since June, a majority (52 percent) of respondents still believe the business outlook for the next six months remains good, with 17 percent saying it is "very good."
- **Hiring and layoffs.** Twenty-four percent of respondents said they plan to hire more employees in the next six months. While that number is two points lower than it was in June, it's still nine points higher than in October 2011. The outlook for new hires remains strongest in the Detroit Metro region (26%). Larger businesses and new businesses, especially childcare, are hiring the most new employees (33%).

- **Increased wages.** The outlook for increased wages continues to improve marginally, as 26 percent of respondents said they plan to increase wages for their employees within the next six months – up two points from 24 percent in June 2012. Employers in West Michigan are most likely to increase wages for workers, with 32 percent indicating they will do so. Additionally, wages are most likely to climb within the financial, insurance and real estate sectors – 32 percent of those employers said they will raise compensation.

“The results of this latest Future Business Index survey are less encouraging than I had hoped,” said Chris Holman, CEO of the Michigan Business Network and publisher of the Greater Lansing Business Monthly. “Michigan is still in a vulnerable position at this infancy stage of recovery. The current concerns over the ‘fiscal cliff’ and the growing anxiety over added health care costs are causing Michigan businesses to recalculate their strategies for capital and human resource investments. We need to see quick action by the President and Congress on these two issues to ease uncertainty and reignite the recovery.”

The Michigan Future Business Index, commissioned by Accident Fund and the Michigan Business Network, is conducted semi-annually by Marketing Resource Group, Inc. (MRG). The survey has been conducted since 2006. A total of 1,015 Michigan business owners, operators, officers and managers were interviewed for the October 2012 survey.

To view a summary of the most recent Michigan Future Business Index, please visit the Accident Fund Insurance Company of America website at www.accidentfund.com or the Michigan Business Network website at www.michiganbusinessnetwork.com/.

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