Business Confidence Rises in 2009

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This brief reviews the results of Common Sense Advisory's business confidence survey for the fourth quarter of 2009. For information about the history and methodology of the surveys, see "Global Business Confidence Survey" (Feb10).

Introducing the Globalization Business Confidence Index

This month we introduce our Globalization Business Confidence Index (GBCI), a weighted average of the responses to the questions in our quarterly surveys. Our preliminary GBCI results for 2009 show a solid increase in confidence among buyers, rising from 103 at the beginning of the year to 112 at the end. In contrast, supplier confidence bullishly surged from 114 at the beginning of 2009 to 174 today. Our buyer and supplier polls show that suppliers of language services continue to be more optimistic about the market than buyers.

We will refine our methodology and analysis over the course of the next few quarters to reflect the entire dataset from 2005 through the current surveys. This historical exercise will probably result in a restatement of results as we normalize the data, but now we will publish the GBCI for both buyers and suppliers based on a neutral or "no appreciable change" baseline score of 100. As we fine-tune this index, we will also compare it with similar indices for the general economy to understand the predictive value of the respective surveys as they relate to the language industry.

Results for the Final Quarter of 2009

What did buyers and suppliers of language services tell us about Q4-2009?

- **Buyer confidence in January 2010.** In our Q4-09 survey, 40 percent of corporate and government buyers told us that the volume of their demand for language services increased over the preceding three months, 38.2 percent said volume was steady, and 21.8 percent said that it had dropped. For Q3-09, the percentages were 40 percent up, 26 unchanged, and 34 down.

- **Outlook for buy-side confidence.** Looking out 90 days, 49.1 percent see an increase in demand, 34.5 percent said it would be the same, and the remaining 16.4

percent expected to buy less. For Q3-09, the percentages were 54 percent up, 40 unchanged, and six down (hereafter, "up, unchanged, down").

On the six-month horizon, 52.7 percent forecast that their business situation would be good versus 38.2 percent who said it would be the same and 9.1 percent who foresaw a worsening business situation. For Q3-09, the percentages were 60, 36, and four (up, unchanged, down).

- **Supplier confidence in January 2010.** Less than half (44.8%) of the supply-side respondents saw increased demand over the quarter, 25.8 percent said that it stayed the same, and just 29.4 percent saw a drop in the requests for their services. For Q3-09, the percentages were 30.7, 27.7, and 41.6 (up, unchanged, down).

- **Outlook for supply-side confidence.** Looking out three months, more than half (55.5%) expected greater demand, while 35.5 percent believed it would remain the same. The remaining nine percent predicted a drop. For Q3-09, the percentages were 51.2, 34.3, and 14.5 (up, unchanged, down).

  Projecting out 180 days, 58.9 percent expected the business situation of their company to be better, 37.1 percent said it would be the same, and just four percent felt it would be worse. For Q3-09, the percentages were 56.6, 38.6, and 4.8 (up, unchanged, down).

Employment Experience and Expectations Improve

Over the last two years, the U.S. economy shed a lot of jobs (see "When Did Your County's Job Disappear?" Slate, 30 December 2009). How has employment in the language sector held up during this period of increasing unemployment?

- **Buy-side staffing.** In our buyer sample, 72.7 percent said that employment held steady for the past three months. Another 12.7 percent told us that their head count was up, while 14.5 percent saw a drop. For Q3-09, the percentages were 62, 10, and 28 (unchanged, up, down).

  Looking out three months, most expected business as usual: 61.8 percent expected no change in the number of employees, 27.3 percent saw some increase, and 10.9 percent expected to drop some staff members. For Q3-09, the percentages were 72, 18, and 10 (unchanged, up, down).

- **Supply-side staffing.** Nearly two thirds of suppliers (65.6%) had steady employment numbers, with 21.1 percent reporting increased staff and 13.4 percent telling us they decreased their head count. For Q3-09, the percentages were 56.6, 20.5, and 22.9 (unchanged, up, down).

Three months out, 60.5 percent said employment would be the same, 33.1 percent said it would increase, and only 6.4 percent foresaw a drop in staff numbers. For Q3-09, the percentages were 59, 30.7, and 10.2 (unchanged, up, down).

Insufficient Demand Still Poses a Challenge to Language Business

We also probed our respondents for information about factors that limit the ability of their companies to improve their business situations. For Q4-09, 44 percent of buyers listed insufficient demand for their products as their topmost concern, paralleled by nearly 40.5 percent of suppliers who deemed demand to be insufficient. Most suppliers (50.8%) flagged competition in their sector as their biggest concern, while 30 percent of buyers listed competition as their second biggest concern. Demand and competition typically topped the list every quarter for the last year.

Other double-digit responses for the buyers were financial issues such as foreign exchange concerns (16%), cash flow (14%), and labor supply (14%). Beyond competition and demand, suppliers were most troubled by the cost of labor (20.4%), foreign exchange issues (20.1%), and the labor supply (12.7%). Buyers and suppliers have listed these issues at the top of their anxiety list for the last year.

Quarter-to-Quarter Comparisons Show Market Improvements

The last four quarters have shown a gradual reversal of 2008's incremental declines, pointing to a continuing recovery in the language services market (see Table 1 for buyer data and Table 2 for suppliers – "++" indicates a statistically significant change).

Buy-Side	Q4-08 vs. Q1-09	Q1-09 vs. Q2-09	Q2-09 vs. Q3-09	Q3-09 vs. Q4-09
Volume of demand for past 3 months	Decrease	Increase	Increase	Increase
Volume of demand for next 3 months	Increase	Increase	Increase	Decrease
Present business situation	Decrease	Increase	Decrease	Increase
Present financial situation	Increase	Decrease	Increase	Decrease
Business expected for next 6 months	Increase	Increase	Increase	Decrease
Employment for next 3 months	Decrease	Increase	Increase	Increase
Employment for past 3 months	Decrease	Increase	Decrease	Increase

Table 1: Significant Changes in Buy-Side Confidence Factors for 2009
(Statistical Test with 99% Confidence Level in Results)
Source: Common Sense Advisory, Inc.

Supply-Side	Q4-08 vs. Q1-09	Q1-09 vs. Q2-09	Q2-09 vs. Q3-09	Q3-09 vs. Q4-09
Volume of demand for past 3 months	Decrease ++	Increase	Increase	Increase ++
Volume of demand for next 3 months	Increase ++	Increase	Increase	Increase
Present business situation	Decrease	Decrease	Increase	Increase ++
Present financial situation	Decrease	Increase	Decrease	Increase
Business expected for next 6 months	Increase	Increase	Increase	Increase
Employment for next 3 months	Decrease	Increase	Increase	Increase
Employment for past 3 months	Decrease	Increase	Increase	Increase

Table 2: Significant Changes in Supply-Side Confidence Factors for 2009
(Statistical Test with 99% Confidence Level in Results)
Source: Common Sense Advisory, Inc.