

Cincinnati USA Partnership 2004 Capital Investment Survey Analysis

Prepared for the

Cincinnati USA Partnership

Prepared by the

Economics Center
for Education & Research

University of Cincinnati

January 2005

I. Summary

This report contains the results of an analysis of the results from the Cincinnati USA Partnership's 2004 Capital Investment Survey. The analysis was performed by the Economics Center for Education & Research (Economics Center), located in the College of Business at the University of Cincinnati.

The first section describes how "Cincinnati USA Growth Businesses" are defined, presents the 2004 survey findings, and compares 2004's economic impact results with results from 2003 report. The second section of the report presents the economic impact results of the capital investment survey by business type, state, and county. The third section of the report explains the key assumptions used in this analysis.

A. Cincinnati USA Growth Businesses

The Cincinnati USA Partnership surveyed the businesses in the Cincinnati USA¹ region to determine total business investment in the region during 2004 and the new and retained jobs associated with this investment. The following analysis examines the results of businesses that added or retained jobs, added investment, or added square footage in 2004. This group of 195 businesses is referred to as Cincinnati USA's Growth Businesses.

B. 2004 Survey Results

- The Cincinnati USA Partnership identified 195 "Cincinnati USA Growth Businesses" that added or retained jobs, added investment, or added square footage in 2004.
- Hospital expansion was a significant factor in business investment during 2004, along with the manufacturing and office sectors. The northern suburban counties of Butler and Warren both achieved substantial increases in investment during 2004 compared with 2003.
- The total economic impact of 2004 capital investment by Cincinnati USA Growth Businesses is \$3.14 billion. Of this, \$901 million will enter the homes of Cincinnati USA workers in the form of wages. The economic boost created by business investment and employment will support 28,088 jobs in the Cincinnati USA region.²
- In 2004, investment by Cincinnati USA's Growth Businesses totaled \$1.36 billion and directly accounted for 23,183 new and retained jobs. One job was either created or retained for every \$58,781 in investment spending by the Growth Businesses.
- In 2004, 32 percent of investment occurred in the office/service industry, 27 percent in the manufacturing industry, 22 percent in the hospital industry, 11 percent in the distribution industry and 4 percent in the hotel industry. In addition, 4 percent of total investment occurred in research and development.

¹ Cincinnati USA, sometimes referred to as Greater Cincinnati, is the 15-county Metropolitan Statistical Area (MSA) designated by the Office of Management and Budget. (See Assumption 1 on p. 18.)

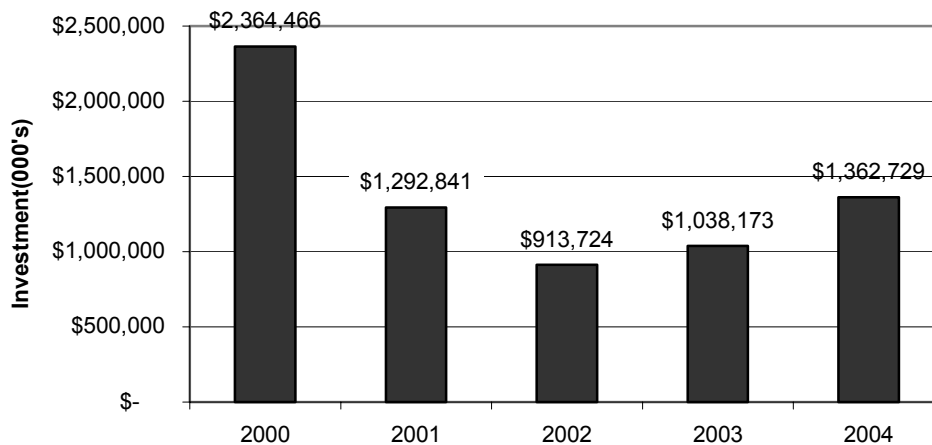
² The total economic impact of Cincinnati USA's Growth Businesses' investment includes the direct impact and the multiplier effects of the investment spending, and the direct impact and multiplier effects of the employee earnings whose jobs were created or retained due to the investments.

- According to the survey of Growth Businesses, a total of 9,186 new jobs resulted directly from investment and 13,997 jobs were retained. Of the total 23,183 jobs that were created or retained, 41 percent were in the office/service area, 39 percent were in manufacturing, 10 percent were in distribution, 6 percent were in the hospital industry, 3 percent were in research & development and less than 1 percent was in hotels. These jobs paid \$962 million in household earnings to Cincinnati USA workers.
- The four counties with at least \$25 million of investment in 2004 were Hamilton County with \$522 million in new investment, Butler County with \$365 million, Warren County with \$250 million, and Boone County with \$180 million in new investment. Eighty-five percent of the new investment in 2004 originated from Ohio businesses, and 15 percent was produced by Kentucky businesses; there were no projects reported for Indiana businesses in 2004.

C. Investment and Employment Trends in Cincinnati USA

- The total economic impact of 2004 capital investment in Cincinnati USA was \$3.14 billion. This was 40 percent greater than the \$2.24 billion capital investment impact of 2003. This reflects improvements in both regional and national economic conditions. The impact on jobs increased similarly, as total jobs increased to 23,183 from 14,635 in 2003. The economic impact of employee earnings increased to \$901 million from \$662 million in 2003.
- Overall, the level of investment from Cincinnati USA Growth Businesses increased by 31 percent between 2003 and 2004, from \$1.04 billion in 2003 to \$1.36 billion in 2004. Investment increased by 14 percent in 2003, which was preceded by three years of suppressed levels of investment. Figure 1 shows investment trends in Cincinnati USA over the 2000 to 2004 period.

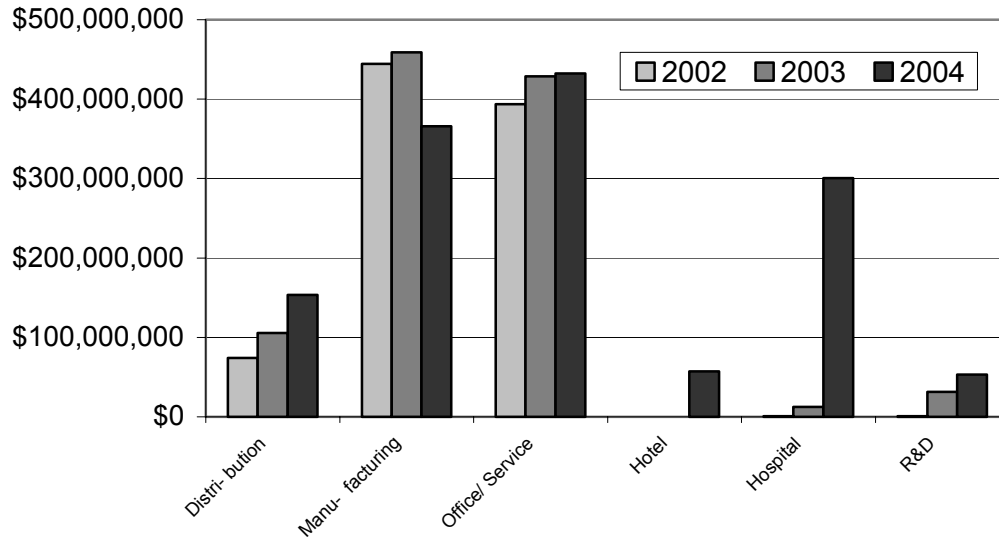
Figure 1: Cincinnati USA Growth Business Investment, 2000-2004



- Two counties showed dramatic growth in their levels of business investment. Business investment in Butler County increased from \$109 million in 2003 to \$365 million in 2004. The investment in Warren County also increased significantly from 26 million in 2003 to \$250 million in 2004.

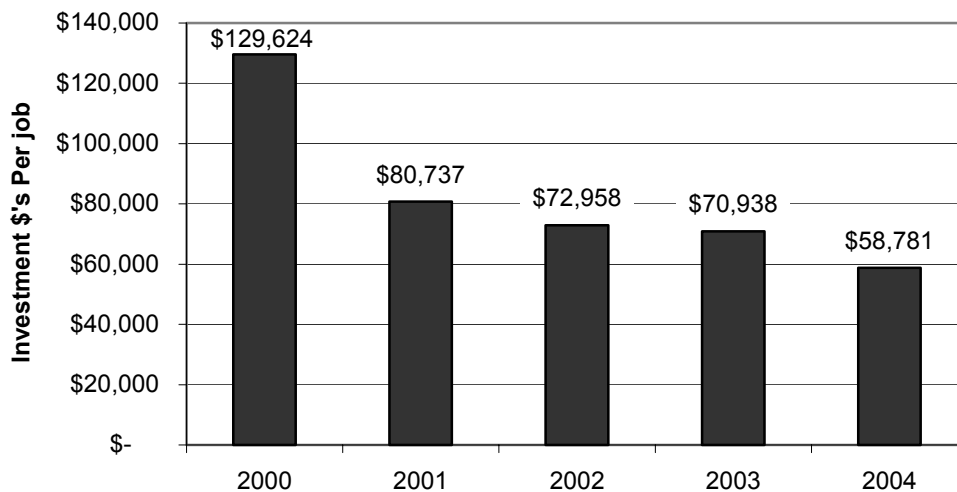
- The office/service sector proved to be an important sector of the local economy, accounting for 32 percent of all investment by growth businesses in 2004. Figure 2 shows trends in the levels of investment by business type in Cincinnati USA, from 2000 to 2004.

Figure 2: Levels of Investment by Business Type, 2002-2004



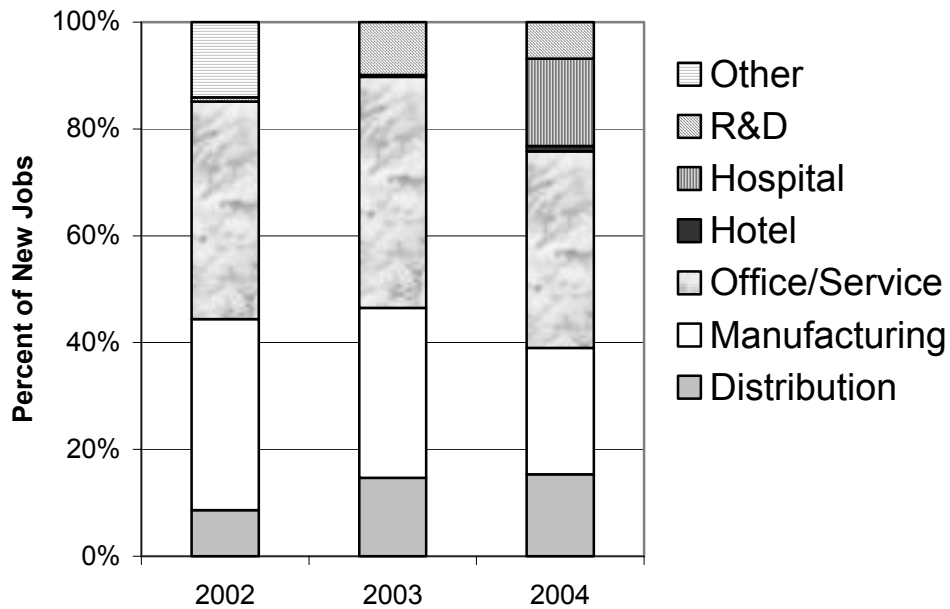
- The amount of investment spending associated with a new or retained job was \$58,781 in 2004, a slight reduction from recent years. Figure 3 shows average annual investment per new and retained job from 2000 through 2004. The lower figure of investment dollars per job may be the result of businesses placing a greater weight on retaining or expanding their workforces in 2004, as opposed to earlier years when there appears to have been more of a focus on fixed investment.

Figure 3: Average Annual Investment Spending for a New or Retained Job in Cincinnati USA's Growth Businesses, 2000-2004



- In 2004, Growth Businesses created a total of 9,186 new jobs resulting directly from investment and retained 13,997 jobs. In 2003, Growth Businesses created a total of 6,607 new jobs resulting directly from investment and retained 8,028 jobs. Overall, jobs created and retained with 2004 capital investment were 58 percent above the 2003 level.
- Of the total 9,186 new jobs linked with 2004 investment, 37 percent were in office/service, 24 percent were in manufacturing, 16 percent were in the hospital industry and 15 percent were in distribution. Another 7 percent of new jobs were created in R&D facilities, and 1 percent in the hotel industry. Figure 4 displays these results.

Figure 4: Comparison of New Jobs by Business Type, 2002-2004



- In the distribution of retained jobs linked to 2004 investment (not pictured), 50 percent were in manufacturing, 44 percent in office/service industries, and 6 percent in distribution.

For additional information contact the Economics Center for Education & Research, email Econeduc@uc.edu.
Please reference report: 2004-TE-1001 Capital Investment Survey Analysis