



## **First Niagara's Third Annual Survey Shows More Business Leaders See Pennsylvania Economy Improving Than Not in 2012**

*Executives Plan to Increase Workforce, Acquire Fixed Assets at Higher Rate Than Last Year*

BUFFALO, NY – February 7, 2012 – Leaders of private businesses in Pennsylvania are more optimistic than pessimistic about the Pennsylvania economy for 2012 and more of them than in previous years expect to hire more workers and invest in new fixed assets to grow their businesses, according to results from First Niagara's 3<sup>rd</sup> Annual Survey of Pennsylvania Business Leaders released today.

Nearly one-third of executives, 30%, up from 25% last year and 21% two years ago, say they will increase their workforces in 2012, while 61% expect workforce size to stay the same, and 9% say it will decrease.

Almost one-half, 46% of business leaders, say they have plans to acquire fixed assets – such as equipment, buildings and property – in 2012, compared to 43% last year and 40% two years ago. Of that group, 54% say they will use internally generated funds to finance the acquisitions and 31% will borrow from a financial institution.

By nearly a 2:1 ratio, business leaders expect improving business conditions in Pennsylvania in 2012 over those who say they will worsen. The survey found that 42%, slightly down from 46% last year, expect better economic conditions, while 39%, up from 37%, expect them to be the same and 20%, slightly up from 17% last year, anticipate worsening conditions.

“While many CEOs are exhibiting similar levels of optimism for 2012 as they did for 2011, they are telling us that they are open for business in Pennsylvania,” said Todd Moules, Western Pennsylvania regional president for First Niagara Financial Group Inc. (Nasdaq: FNFG), the parent company of First Niagara Bank. “More of them than last year are focused on growing their businesses by increasing their workforces and investing in fixed asset acquisitions.”

“The survey results are a very good reflection of what we see our customers dealing with every day across our markets in both eastern and western Pennsylvania,” said Robert Kane, Eastern

Pennsylvania regional president for First Niagara. “They are looking to grow their businesses but in a financially realistic way.”

The third annual survey results are based on responses from 865 chief executive officers, chief financial officers and other senior managers of private businesses in Pittsburgh and Philadelphia as well as Allentown, Scranton, Altoona, Harrisburg, Erie, Lancaster, Reading and York. These businesses registered between \$5 million and \$200 million in annual sales in industries represented by service, manufacturing, engineering and construction, retail, wholesale and distribution, financial and food and beverage sectors.

As a barometer of business leader confidence, the First Niagara survey each year uses an overall Confidence Index as a measure of business leaders’ current assessment of and future expectations for economic conditions regarding the state economy and their specific industries. The index is based on a scale of zero to 200 with zero being the most pessimistic and 200 being the most optimistic. An index of 100 would have an equal percentage of negative and positive responses.

The survey report provides three confidence indices for the current assessment, future expectations and overall as a combination of the two. As with last year, Pennsylvania business leaders this year topped the 100 mark in all three indices representing more optimistic than pessimistic responses.

The overall Confidence Index of 112.1 is down 3.6 points from last year, but up 12.5 points from two years ago. The current index component, which assesses business conditions today as compared to six months earlier, is 104.7 virtually unchanged from a year ago but up 22.4 points from 2009.

The future index component measuring economic expectations for the coming year is 119.5, down 7.7 points from a year ago.

Pennsylvania business leaders also recorded the highest percentage in the three-year history of the annual survey of those who expected to increase their workforce sizes and invest in fixed asset acquisitions in the coming year. Their responses also tied the highest percentage recorded in an annual survey for expectations for revenue growth.

Nearly one-half, 46%, say they expect revenues for their businesses to grow in 2012, tying the same percentages of responses recorded last year and 7 points higher than two years ago. Another 35% expect revenues to stay the same and 20%, up from 17% last year, expect revenues to decrease.

Other key findings for First Niagara's Third Annual Survey of Pennsylvania Business Leaders include:

- About one-third (32%) of business leaders say current business conditions in Pennsylvania overall were a little better or considerably better in late 2011 and early 2012 as compared to six months earlier. Those who say it was the same registered 44% and 24% say they were worse.
- Regarding their own industry and current economic conditions in Pennsylvania compared to six months earlier, 38% of business leaders say they were about the same, another 32% say a little better or considerably better, and 30% say a little worse or considerably worse.
- 39% of business leaders say they expect business for their own industry in Pennsylvania to be a little better or considerably better in 2012, compared to 44% last year, with another 41% saying it will be about the same, compared to 36% last year, and 21% saying it will be a little worse or considerably worse, up from 19% for 2011.
- In regard to projected profitability, 36% of these business leaders expect company profits to increase in 2012, 39% say they will stay about the same, and 25% say they will decrease.
- To enhance profits in 2012, business leaders tabbed market demand/growth (44%) as their top strategy, followed by cost reduction (30%), price increase (12%) and new technology (8%).
- Overall, the two top challenges concerning Pennsylvania business leaders are adverse economic conditions (22%) and governmental regulation (22%), followed by health care costs (12%), and existing U.S. competition (10%).
- Six questions in the survey focused on several issues with state and federal

governments. When asked to rate the job of government in Pennsylvania in creating a business climate in which their business will succeed, 1% say excellent, 14% say good, 44% say fair and 36% of the business leaders gave the state a grade of poor compared to 50% last year.

- Regarding the state government's ability to improve the business climate in 2012, 3% of business leaders say they are very confident in the ability, 29% somewhat confident, 50% are not very confident and 17% are not confident at all.

Results from the third annual First Niagara Survey of Pennsylvania Business Leaders are available at <https://www.fnfg.com/CEOSurvey>

## **METHODOLOGY**

A quantitative 26-question survey was conducted during the last two months of 2011 and first three weeks of 2012 by the Siena College Research Institute (SRI) where 865 business leaders responded either by mail, on the SRI Web site, or through a personal interview. Business leaders included chief executive officers, chief financial officers and other senior managers of private businesses with \$5 million to \$200 million in annual sales in the service, manufacturing, engineering and construction, retail, wholesale and distribution, financial and food and beverage industries. These business leaders represented the major areas of: Philadelphia/Allentown (34% of respondents), Pittsburgh/Erie (29%), rest of statewide including Harrisburg, York, Scranton, Lancaster, Reading, and Altoona (37%).

## **ABOUT FIRST NIAGARA**

First Niagara, through its wholly owned subsidiary, First Niagara Bank, N.A., is a multi-state community-oriented bank that currently has approximately \$33 billion in assets, \$19 billion in deposits, more than 330 branches and 5,000 employees providing financial services to individuals, families and businesses across Upstate New York, Pennsylvania, Connecticut and Massachusetts. For more information, visit [www.fnfg.com](http://www.fnfg.com).

When First Niagara completes its acquisition of the HSBC branches, expected to occur in the second quarter of 2012, the regional bank will have an enhanced leadership position in the Northeast, with nearly 430 locations, \$30 billion in total deposits, \$38 billion in assets and more than 6,000 employees serving consumers, businesses and communities across New York, Pennsylvania, Connecticut and Massachusetts. The transaction will also provide First Niagara with number-one retail market share across Upstate New York, virtually doubling its number of branches in New York State to more than 200, stretching from Buffalo to Albany and down through the Hudson Valley.

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