



First Niagara Annual Survey: Buffalo Niagara Business Executives Taking Step Back, Looking for Good News in 2013 Economy

Area Business Leaders Follow Upstate Trend Where Many Are Less Confident; Cautious Expectations for Revenues, Profits, New Hires for 2013

BUFFALO, N.Y. – January 8, 2013 – Many business executives in Buffalo Niagara are less confident than they were in recent years about both current economic conditions and their outlook for the 2013 state economy, according to results from First Niagara’s Sixth Annual Survey of Upstate New York Business Leaders released today.

Overall, the survey conducted by the Siena College Research Institute found many of the 1,142 leaders of private companies in 55 upstate counties, those outside New York City and Long Island, to have taken a step back in their confidence levels regarding current and future economic conditions after three years of increasing optimism following the 2007-2008 recession.

For Buffalo Niagara specifically, there were 189 responses this year from chief executive officers, chief financial officers and other senior managers of private businesses with \$5 million to \$150 million in annual sales in the service, manufacturing, engineering and construction, retail, wholesale and distribution, financial and food and beverage industries.

Among these leaders, 28% say they expect business conditions for the New York State economy to improve in 2013, down from 33% last year. Another 32% expect conditions to remain about the same in 2013, down from 40% last year, and 40%, up from 27% last year, say those business conditions will worsen.

For their own businesses, more of these company leaders expect in 2013 that business revenues and the size of their workforces will increase rather than decrease, but more also expect profits to decline.

“It appears many Buffalo Niagara business executives, like those throughout Upstate New York, are experiencing lower levels of confidence about the economic outlook for 2013 as they continue to hold out for a more vibrant economy,” said Buford Sears, Western New York Market Executive for First Niagara Bank.

“They are more likely to expect increased revenues and to hire more workers but they expect a decline in overall profitability in 2013,” he said. “With that in mind, it is important for these executives and their companies to stay focused and positioned to take advantage of any predicted upswings in consumer confidence and spending when they come.”

Regarding confidence levels, 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 be the breakeven point with an equal percentage of negative and positive responses.

The survey report further provides three confidence indices for the current assessment, future expectations and overall as a combination of the two. It also breaks them down according to five major regions: Capital Region (Albany), Buffalo, Rochester, Syracuse and Hudson Valley/Westchester.

This year, Buffalo Niagara business leaders represented the lowest rated region on two of the three indices -- with the overall Confidence Index at 80.6, declining 14.2 points over last year’s index, and the future Confidence Index at 82.5, down 18 points from last year. This year’s current Confidence Index at 78.6 was 10.6 points lower than last year’s.

Key survey results for Buffalo Niagara include:

- About one-fifth, 21%, of Buffalo Niagara business leaders say current business conditions in New York State were a little better or considerably better at the end of 2012 compared to six months earlier, down from 24% responding the same last year. Another 43%, similar to last year, say conditions were about the same and 36%, up from last year’s 34%, say they were a little or considerably worse.

- 20%, down from 32% last year, of area business leaders say they expect business in their own industries to be a little better or considerably better in 2013, compared to 37%, up from 33% last year, who say it will be the same and 43%, up from 36% last year, who say it will be a little or considerably worse.
- 27% of Buffalo Niagara company leaders say they expect in 2013 to increase their current labor force, similar to last year, while 58% say it will remain the same in 2013 and 13%, up from 12% last year, say they will decrease their work force.
- More than half (55%) of local business leaders say they plan to invest in fixed asset acquisitions over the next year – with another 7% unsure -- to meet growing demand, reduce costs or enhance profitability. Of those that intend to invest in fixed assets, 59% plan to use internally generated funds while 31% intend to finance with the assistance of a financial institution.
- 35% of Buffalo Niagara business leaders, down from 47% last year, predict increasing revenues in 2013, while 34% think they will stay the same and 31%, up from 19%, say they will decrease.
- 28% of Buffalo Niagara business leaders, down from 36% last year, expect profits to increase in 2013 while another 29% predict they will stay the same and 43%, up from 31% last year, expect a decrease.
- Market growth/demand at 34% was cited as the foremost strategy business leaders will employ to enhance profits, followed by cost reduction (33%), price increase (15%), and new technology (11%).
- Overall, the number one challenge concerning Buffalo Niagara business leaders is governmental regulation (23%), followed by adverse economic conditions (21%), taxation (14%) and health care costs (13%).

Results from the sixth annual First Niagara Survey of Upstate New York Business Leaders are available at <https://www.fnfg.com/CEOSurvey>

METHODOLOGY

A quantitative 26-question survey was conducted through the 2012 fourth quarter for First Niagara by the Siena College Research Institute (SRI) in which 1,142 business leaders from 55 counties responded either by mail, on the SRI Web site, or through a personal interview. Included were chief executive officers, chief financial officers and senior managers of private businesses with \$5 million to \$150 million annual sales in the service, manufacturing, retail, engineering/construction, wholesale and distribution, financial and food/beverage industries.

ABOUT FIRST NIAGARA

First Niagara, through its wholly owned subsidiary, First Niagara Bank, N.A., is a multi-state community-oriented bank with approximately 430 branches, \$36 billion in assets, \$28 billion in deposits, and approximately 6,000 employees providing financial services to individuals, families and businesses across Upstate New York, Pennsylvania, Connecticut and Massachusetts. For more information, visit www.firstniagara.com.

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