



First Niagara Sixth Annual Survey Shows Many Upstate NY Business Executives Less Optimistic About 2013 Economy

Confidence Levels Take Step Back After Rising Since 2007-08 Recession; Cautious Hiring, Revenue, Profit Projections Part of the “New Normal”

ALBANY, N.Y. – January 8, 2013 – First Niagara’s Sixth Annual Survey of Upstate New York Business Leaders released today reports more private sector company executives expect economic conditions to worsen in 2013 than those who predict they will get better and many are cautious in their expectations for revenues, profits, and new job hires in the coming year.

This year’s survey results are based on responses from 1,142 leaders of private businesses in 55 counties of New York, all except those in New York City and Long Island, and including the major business centers of Buffalo, Albany, Rochester, Syracuse and Hudson Valley/Westchester.

“The reality is that a good number of these company executives weathered an uncertain economy over the past five years, and even showed signs of increased optimism for the past two years, but now many appear frustrated with continuing to operate in the “new normal” while still awaiting a more robust economy,” said Peter Cosgrove, Upstate New York regional president for First Niagara Bank.

“These business executives are still marketing, selling products and services, and investing in their companies and their people but many have taken a step back to lower growth expectations based on what they see for the state’s economy and their own industry in 2013,” Cosgrove said. “However, It is important that they be prepared, in the event, to take advantage of any forecasted upswing in consumer confidence in the months ahead.”

Conducted through the Siena College Research Institute, First Niagara’s annual survey has proven to be an accurate measure of economic trends, correctly calling the recessionary impact for 2009 and the more optimistic forecasts for recovery steps in 2010, 2011 and 2012.

Respondents are chief executive officers, chief financial officers and senior managers of private companies with \$5 million to \$150 million in annual sales in the service, manufacturing, retail, engineering/construction, wholesale and distribution, financial and food and beverage industries.

This year's survey reports that 37% of these business leaders say they expect economic conditions to worsen in the state in 2013, compared to 28% who said the same last year. Another 29%, compared to 34% last year, expect these conditions to get better, while 33% of business leaders expect conditions to stay the same for 2013.

Regarding 2013 revenues, 36% expect them to increase, 29% say they will decrease and 35% anticipate they will be the same. For profit expectations, 27% see increased profits, 39% say they will decrease and 35% expect them to stay the same. On hiring, 22% say they will moderately increase their workforce, 15% will decrease and 61% will keep the same workforce size in 2013.

The survey's benchmark barometer – its annual Confidence Index – also declined this year. The Index measures the current assessment and future expectations of these business leaders for the statewide economy and for their own specific industries. It is based on a scale of zero to 200 with zero being the most pessimistic and 200 being the most optimistic. Thus an Index of 100 would have an equal percentage of negative and positive responses.

For this year's survey, the overall Confidence Index of Upstate business leaders registered 85.9 – in the upper pessimistic zone and down 12 points from last year and 0.5 points lower than that recorded going into 2010.

For the first time in three years, the future Confidence Index, based on business condition expectations for the state economy and the leaders' own industries, registered lower than the 100 breakeven point, yielding more negative responses than positive. Business leaders' expectations for 2013 resulted in a future confidence index of 91.2, down nearly 12 points from last year.

The current Confidence Index, which assesses business conditions compared to six months ago, also fell 12 points to 80.6, putting that index only 2.5 points above that recorded in 2009.

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

Additional Key Survey Findings

Combining responses from the four current and future Confidence Index questions, three distinct groups of business leaders were identified in Upstate New York:

- 26% of business leaders (down from 32% last year) report being able to currently thrive and are strongly optimistic about the future;
- 42% of business leaders (down from 44% last year) see current conditions as being either flat or slightly worse than six months ago and have little expectations of improvement for the economy in 2013;
- 32% of business leaders (up from 24% last year) have been very seriously affected by the economy and are in survival mode.

Other survey results include:

- Less than one-quarter (21%) of business leaders say current business conditions in New York State overall improved over the last six months of 2012, compared to 37% saying they have worsened and 42% indicating they were the same.
- Regarding their own industry and current economic conditions in the state compared to six months earlier, 42% of business leaders say they were a little or considerably worse, 39% say the same and 18% say a little better or considerably better.
- 28% of business leaders say they expect business for their own industry in New York State to be a little better or considerably better in 2013, with another 34% saying it will be about the same, and 38% saying it will be a little worse or considerably worse.
- Similar to the past three years, 50% of Upstate New York business leaders say they plan to invest in fixed asset acquisitions over the next year. Of those who intend to invest in fixed assets, 56% plan to use internally generated funds while 35% intend to finance with the assistance of a financial institution.
- To enhance profitability in 2013, business leaders say they will both increase demand

for market growth and penetration (36%) and use cost reduction (36%) as their top strategies, followed by price increases (13%) and new technology (8%).

- To achieve revenue and profit targets, business leaders say they will concentrate the most in 2013 on expansion of existing markets (28%), growth in existing products (24%), entry into new markets (12%) and internal restructuring (11%).
- Overall, the number one challenge concerning Upstate New York business leaders is governmental regulation (24%), followed by adverse economic conditions (22%), and healthcare costs (12%) and taxation (12%).
- Regarding confidence in state government's ability to improve the business climate in New York State in 2013, 23% say they are very or somewhat confident, while 77%, down from 93% two years ago, were not very or not at all confident.
- For confidence in the federal government's ability to improve the business climate in New York State, 14% say they are very or somewhat confident, 41% not very confident, and 44% not at all confident.

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.

Media Contact: Helen Tederous, Corporate Communications
Office Phone: 716-819-5922; Cell Phone: 716-697-2335
Email: helen.tederous@fnfg.com