First Niagara
Fifth Annual Survey of Upstate New York Business Leaders
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Summary of Findings

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The Fifth Annual First Niagara Survey of Upstate New York Business Leaders conducted by the Siena College Research Institute (SRI) shows that CEO confidence has remained stable since last year. After two years of steady and sizable increases, and a year that started with optimistic signs, flat confidence among New York's CEO's signals a stalled recovery. Today, nearly equal percentages of business leaders are positive about their current economic picture and optimistic towards the future as are those that continue to express negativity and pessimism. A majority of the most confident (about a third) predicts an uptick this year in profits and hiring but most see another difficult year for state businesses. An overwhelming but lessening percentage of the CEO's of upstate New York lack confidence in the ability of New York's political leaders to help in creating a business climate in which they can succeed. The robust year of growth that last year's numbers foreshadowed did not materialize for most upstate businesses. Barring an unforeseen macro-economic bonanza or favorable governmental action, the CEO's of upstate New York predict 2012 will look very much like 2011.

Business Leader Confidence

The overall Index of Upstate New York Business Leaders slipped one half of a point falling from 98.4 last year to 97.9 today. The Index remains near the 100 mark at which equal percentages of CEO's are both optimistic and pessimistic about economic conditions in their industry and across the state. The current index component that assesses business conditions today as compared to six months earlier fell one point to 92.8 from 93.8 a year ago but is still up 14.7 from 2009 and 61.7 from 2008. The future component that measures expectations for the coming year is unchanged from last year at 103 up 8.2 from two years ago and 56.1 from 2008. Thirty-four percent of CEO's of private, for-profit companies with sales between $5 million and $150 million in the Capital Region, Buffalo, Rochester and Syracuse now expect better economic conditions in New York next year. Only 28 percent compared to 33 percent last year anticipate worsening conditions.

This survey reports data from 636 corporate leaders drawn from Service (26%), Manufacturing (16%), Engineering/Construction (16%), Retail (14%), Wholesale/Distribution (13%), Financial (8%) and Food/Beverage (6%). If equal numbers of CEO's had positive and negative perceptions of and expectations for the general economy as well as for the condition of and future for their industry, the overall index would be 100. Financial (109.4 down 4.0), Manufacturing (106.9 up 0.2), Service (99.4 up 6.5) and Retail (98.1 down 3.4) have the highest overall index readings. Of the four upstate MSA's (metropolitan statistical areas), the index is greatest in Albany (102.8 overall, 100.3 current, 105.3 future) followed by Rochester (99.6, 92.4, 106.7), Buffalo (94.8, 89.2, 100.5) and Syracuse (94.4, 88, 100.9). Confidence increased in two MSA's and fell in two.

Thirty percent, down from 34 percent, of CEO's now say that business conditions have worsened in New York over the last half of 2011 while 28 percent feel as though the economy has improved recently. While today's assessment is far better than two years ago when 47 percent thought things had worsened as 2009 ended, this year's CEO sentiment is little changed from last year's, a disappointing end to a year that had opened with greater optimism.

Based upon CEO's responses to the four key index questions, the study identifies three distinct groups of business leaders today in Upstate New York. Thirty-two percent of CEO's, down from 35 percent a year ago, report being able to currently thrive and are strongly optimistic about the future. Forty-four percent of CEO's (up from 39% in 2010, 36% in 2009 and 27% in 2008) acknowledge being seriously impacted by recent economic conditions, but they tend to feel as though things have stabilized. The remaining 24 percent (down from 26% a year ago, 34% in 2009 and 58% in 2008) have been very seriously affected by the economy and believe that economic conditions may continue to worsen in both New York and their industry before getting better.

Revenues, Profits and Labor Force

Expectations for revenues and profits through 2012 fell slightly among CEO's this year. While CEO's plans to acquire new fixed assets are virtually unchanged from last year at 52 percent, fewer, 23 percent (down from 27%) plan to enlarge their workforce this year. Unchanged from last year, 12 percent are planning layoffs.

Forty percent of CEO's anticipate increasing revenues during 2012 as compared to 45 percent last year, and only 20 percent expect less revenue this year as compared to 23 percent having that expectation last year. Thirty percent anticipate increasing profitability this year (down from 32%) while a nearly equal number, 31 percent (unchanged), continue to expect declines.

Amidst stagnant confidence and slightly lessened expectations of higher revenues and profits, fixed asset acquisition plans remain encouragingly high at just over 50 percent. Of those that do anticipate asset acquisitions, 59 percent plan to use internally generated funds as opposed to either borrowing from a financial institution (32%) or private equity (4%).

Twenty-three percent of business leaders expect to at least moderately increase their workforce in 2012 down from 27 percent a year ago. While 65 percent intend to have their workforce remain the same, 12 percent, unchanged from last year, plan on decreasing their labor force. Four years ago at the time when most agree the recession was just beginning, 36 percent of CEO's said they planned to increase their workforce as compared to only 6 percent anticipating reductions.

Concentrations, Challenges and Attitudes towards Government

As New York's CEO's work to succeed in an economy that appears slow to recover, they are split between those that focus on market and demand growth (40%) and those that focus on cost reduction as a strategy (38%). Optimistic companies tend to target growing sales while the more pessimistic companies still primarily look to cost cuts as a business strategy.

Over three-quarters of CEO's cite health care costs as a challenging concern while 70 percent continue to worry about adverse economic conditions and two-thirds experience governmental regulation and taxation as challenges.

Forty-three percent of CEO's call on the Governor and Legislature to cut spending as their top focus. While CEO's continue to lack confidence in the ability of New York's government to improve business conditions, their faith in New York's government has increased. But their confidence in the federal government has declined. CEO's strongly support domestic energy development, a balanced budget amendment, reducing corporate income tax rates, repealing the recent health care legislation and capping annual increases in federal regulatory spending at $0.