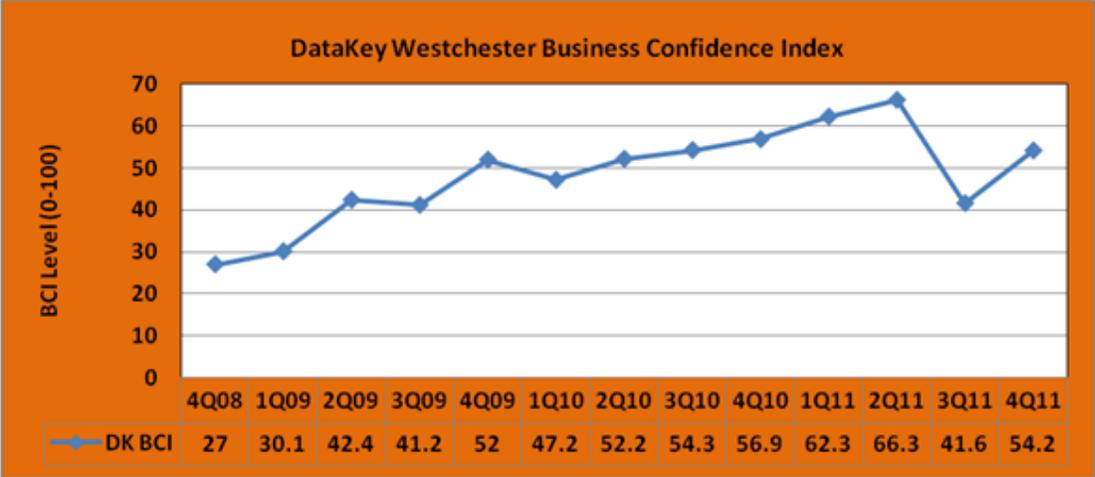


# DataKey Westchester Business Confidence Index

The DataKey Business Confidence Index focuses on key business metrics, such as trends in staffing levels, top line revenues, bottom line profits, capital spending budgets, and other industry performance data. Critical data was captured and analyzed against comparison points of one quarter and one year ago.



(Note: a score of 50 means an equal number of businesses are optimistic about the future as are pessimistic)

*The 4Q 2011 DataKey Business Confidence Index reading of 54.2 (on a scale of 1 to 100) marks a welcomed rebound from the pessimistic outlook of the previous quarter (41.6) and represents the largest quarterly jump in confidence (12.6 points) since the inception of the index. The 3Q-2011 reading of 41.6 had been a two year low.*

**Key takeaway/s** – Though business confidence has not recovered to its first and second 2011 quarter levels, businesses outlooks have significantly improved since last quarter, perhaps in part due to improved US unemployment numbers which, per Bloomberg, dropped from 9.1% to 8.6% between September 30<sup>th</sup> and November 30<sup>th</sup> following two months of stagnation. According to the quarterly Bloomberg Global Poll conducted Dec. 5-6, “More than two in five of those surveyed -- 41 percent -- identify the U.S. as among the markets that will perform best over the next year. That’s up from less than one in three who felt that way in September and is the biggest percentage for the U.S. since the survey began in October 2009. It’s also almost double that of the next two top-rated markets, Brazil and China.”

## Q5. Is the number of new job openings (not counting replacements) at your company less, the same or more compared to last quarter?

- 23% of companies responding to the survey have more job openings compared to last quarter
  - A 12 percentage point increase from 3Q 2011 (11%)
- 63% of companies have the same number of job openings
  - Static result since the 4Q 2010 survey
  - 12% have fewer job openings than last quarter
    - Large decrease over the 27% of 3Q 2011 respondents that indicated less hiring

**Key takeaway/s** – A majority of respondents have not added or reduced job openings. However, a positive shift has occurred since last quarter with 23% of respondents reporting more hiring over the last three months and only 12% reporting fewer job openings. These results align with the latest Westchester unemployment numbers, last reported by the New York State Department of Labor at 6.2% in October, the lowest rate this year and significantly lower than the state’s overall 7.9% unemployment rate. Overall, this data points towards an optimistic outlook, as supported by the addition of 72,900 New York State private sector jobs (an increase of 1%) since one year ago.

The President of a Marketing Services company has noticed the upswing in hiring business:

*“Organizations are definitely ... beginning to realize they need professional help and are not simply looking for a kid out of college to do work for free or at a cut rate.”*

## Q6. Is your capital spending budget for the next 6 months lower, the same, or higher compared to 3 months ago and 1 year ago?

- 78% of responding companies plan to lower, or keep their capital spending budget the same, compared to 3 months ago
  - Static result since 2Q 2011
  - 19% plan to increase their capital spending budget, compared to 3 months ago
    - 3 percentage point increase compared to 3Q 2011
- 64% say they plan to lower, or keep their capital spending budget the same, compared to 1 year ago
  - 13 percentage point decrease since 3Q 2011
  - 31% plan to increase spending compared to 1 year ago
    - 10 percentage point increase over 3Q 2011

**Key takeaway/s** – Reported capital spending budgets are up since last quarter. In fact, almost a third of respondents (31%) report plans to increase their spending compared to one year ago.

The President of a Professional Services company agrees:

*“Money is very tight. Companies are holding back.”*

Lower spending budgets may be due to a lack of capital availability, as experienced by the Owner of another Professional Services firm:

*“Lack of credit for small business (startup & existing) is severely impacting my business.”*

### **Q7. What is your expected percent change in revenue for your company over the next 6 months compared to 3 months ago and 1 year ago?**

- 76% of company respondents anticipate static or increasing revenue over the next 6 months compared to 3 months ago
  - 5 percentage point increase over 3Q 2011
  - 45% expect increasing revenue compared to 3 months ago
    - 6 percentage point increase since last quarter
- 43% expect increasing revenue compared to 1 year ago
  - 17 percentage point decrease since last quarter

**Key takeaway/s** – Revenue projections are not quite as optimistic as increased job openings and capital spending might predict. Survey responses showed only a modest 5 percentage point increase in the number of companies expecting steady or increasing revenue compared to last quarter, and also indicated a drop of almost a third of the number of companies expecting increased revenue compared to last year.

As the President of an Office Business Center explains, the competitive environment continues to be aggressive:

*“My company must compete with much larger [competitors] that are far more able and far more likely to use price cutting as a competitive weapon.”*

### **Q8. What is your expected change in profit over the next 6 months compared to the projections 1 quarter ago?**

- 75% of companies respondents anticipate the same, or more, profit over the next 6 months compared to 3 months ago
  - 9 percentage point increase since 3Q 2011



- 36% expect increasing profit, 39% expect static profit
  - 13 percentage point increase in those respondents that expect increasing profit

**Key takeaway/s** – Despite pessimistic revenue projections, the majority of respondents indicated high expectations about profit numbers, with a 50% jump in the number of companies who expect to report higher profit than three months ago. This signals that the cost-cutting measures taken during the recent tough economic times continue to benefit Westchester companies today.

### **Q9. What is your expected change in the performance of your industry over the next 6 months compared to 3 months ago?**

- 77% of companies say they expect the performance of their industry to remain the same, or increase, over the next 6 months compared to 3 months ago
  - 11 percentage point increase since last quarter
- 14% of respondents expect their industry's performance to fall compared to 3 months ago
  - 13 percentage point decrease since last quarter

**Key takeaway/s** – Confidence in industry performance is up this quarter, with 77% of companies reporting that they expect their industry to perform the same or better compared to 3 months ago. In fact, the number of companies expecting a decrease in industry performance dropped almost by half (from 27% to 14%) since last quarter.

### **Q10. Has your confidence in your business declined, stayed the same or improved compared to 3 months ago and 1 year ago?**

- 29% report increased confidence in their business compared to 3 months ago, and 37% report increased confidence compared to 1 year ago
  - A significant increase compared to last quarter's responses (19% and 21%, respectively, in 3Q 2011)
  - 17% report decreased confidence compared to 3 months ago
    - 13 percentage point decrease compared to 3Q 2011 results

**Key takeaway/s** – Overall, confidence rallied this quarter. Though the majority of respondents reported static confidence compared to 3 months and 1 year ago (53% and 42%, respectively), compared to last quarter, the number of respondents with improved confidence improved by more than 50%, while the number of respondents with decreased confidence dropped by more than 40%.

### Q11. How do you expect Westchester County's economic condition to fair relative to other NY, NJ and CT state counties over the next 6 months compared to 3 months ago and 1 year ago?

- 48% of all respondents feel that there will be no change to Westchester's economic condition relative to the rest of the tri-state area over the next 6 months compared to 3 months ago.
- 10% of respondent companies anticipate a decline when *compared to 3 months ago*, versus 25% who expect a better economic condition
  - 19% expected a decline, and 15% expected a better economic condition when surveyed in 3Q 2011; meanwhile about half expected no change
  - 10 percentage point increase in the number of respondents that anticipate a better economic condition compared to 3 months ago
- 12% anticipate a decline when *compared to 1 year ago*, versus 27% who expect a better economic condition
  - 21% expected a decline, and 19% expected a better economic condition when surveyed in 3Q 2011

**Key takeaway/s** – As is usually the case with the resilient Westchester population, the majority sentiment is that Westchester remain competitive the rest of the Tri-State area. Most encouragingly, however, the fringe sentiments have reversed since last quarter, with more than double the number of respondents feeling that Westchester will perform better than its neighbors than the number who feel it will perform worse.

As one Professional Services Solopreneur observes:

*“Westchester economy seems stronger than neighbors--I don't know why. I was involved in some charity fund raising events in Westchester that all did (surprisingly) well financially. This was a pleasant surprise to me.”*

## Closing Commentary

Overall, Westchester businesses have emerged since last quarter at the other end of a dark stretch in the county's confidence for the future. Confidence is recovering since last quarter's precipitous decline and businesses are showing a positive outlook for the coming months.

The Owner of a Professional Services company makes a fair assessment of the overall state of business in Westchester:

*"Feels like business levels are picking up a bit. Profitability of midcap companies is much better than 3-6 months ago (although down from levels 3 or 4 years ago). The spend patterns have changed I think for good - but there is business to be had, and if we manage our costs effectively, profitable business to be had."*