

Q1 2014 Economic Outlook Survey Results

Momentum and Optimism Continue

Executives of mid-sized businesses remain cautiously upbeat about the near-term outlook.

A net 37% anticipate further modest gains in national economic activity in the coming six months, double the year-ago reading. The margin was even wider among Commercial Real Estate (CRE) firms, with a net 51% expecting improved conditions, well above the 28% spread in Q1 2013.

A lack of fiscal policy drama to start 2014, as well as nascent signs of recovery in global demand, appear to be supporting business confidence. In return, companies are acting on their optimism by slowly ramping up capital spending and hiring plans.

A net 37% of mid-sized businesses plan to increase equipment and software outlays during the first half of 2014, well above the year-ago reading of 26%. The employment outlook also remains positive, with a net 28% of companies planning to hire additional workers, up from 26% at the start of 2013.

The latest survey feedback is encouraging, and suggests national and regional economic momentum should continue to improve in 2014.

Middle Market Highlights

- 41% of Middle Market firms (sales \$10-\$500 million) feel the economy has improved over the past six months—up from 36% a year ago. Meanwhile, one in ten (10%) say the U.S. economy has deteriorated, a step down from 16% in Q1 2013.
- Nearly half of respondents (47%) expect U.S. economic growth to accelerate over the next six months, above the 37% reading one year earlier.
- Over half (56%) expect their unit sales to improve over the next six months, while just 9% expect sales to decline (versus 50% and 13% in our Q1 2013 survey).
- Hiring plans remain healthy, pointing to continued labor market momentum. 31% of respondents expect to add workers over the next six months (no change from a year ago), while only 4% expect to reduce payroll (6% in Q1 2013).
- Capital expenditures on equipment and software are also on the rise. 45% expect to increase cap-ex spending, while just 8% plan to reduce such outlays (versus 37% and 9% a year ago).

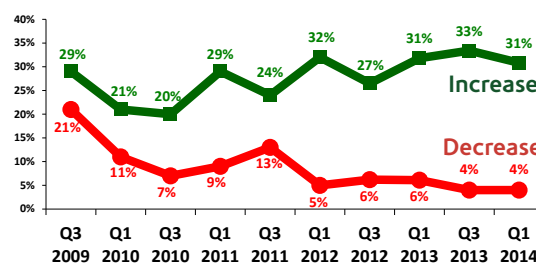
Regional Differences

- 54% of metro NYC firms and 48% of those in the Mid-Atlantic expect their regional economy to outperform the U.S. during the first half of 2014—versus 36% of Pennsylvania and just 20% of Upstate New York respondents.

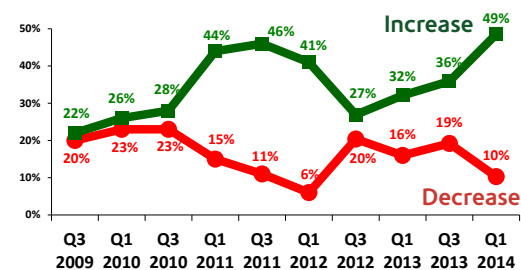
Commercial Real Estate

- 51% say the U.S. economy has improved over the past six months, well above the 40% reading in Q1 2013. Just 4% say the national economy has worsened. Expectations remain positive, with 60% anticipating improvement vs. just 9% seeing slower growth.
- 54% expect CRE fundamentals to improve through mid-year, on par with 55% last year. However, 9% expect conditions to weaken, slightly above the 4% reading in Q1 2013.
- Nearly half (49%) expect occupancy rates to increase over the next six months (32% in Q1 2013). 10% expect occupancy to fall (vs. 16% last year).
- The outlook for rents is nearly as bright, with 39% expecting rates to rise over the next six months versus just 7% that expect rents to fall (vs. 8% in January 2013).

“Looking ahead six months, how do you plan to change employment levels?”
Middle Market



“Looking ahead six months, how do you expect occupancy rates to change?”
Commercial Real Estate

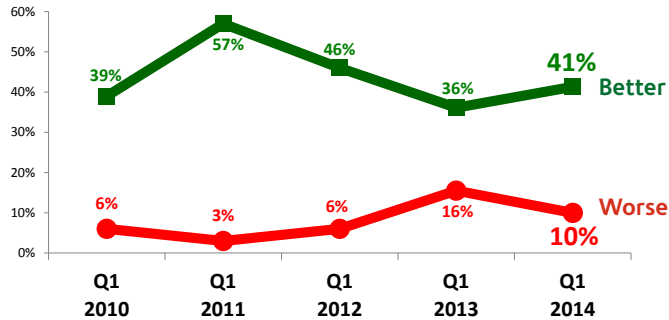


“How would you rate the current state of the U.S. economy compared to six months ago?”

Middle Market Companies

Economic Momentum Modestly Improves

By a 4-to-1 margin, companies see improvement in national economic activity—double the 2-to-1 differential one year ago.

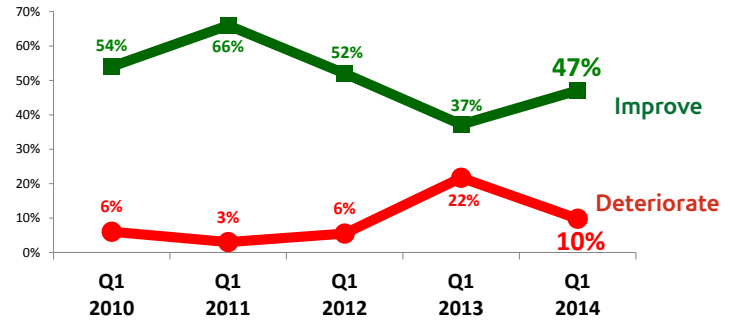


“How do you expect the national economy to perform over the next six months?”

Middle Market Companies

Near-Term Outlook Shows Similar Improvement

Nearly half of respondents expect further gains in economic activity—although a sizeable 43% foresee no change in momentum



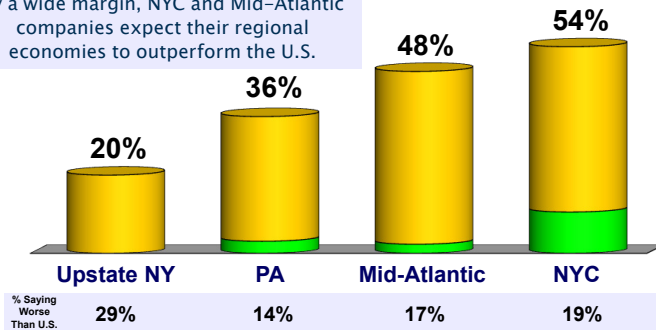
“How do you expect the economy in your metro area to perform relative to the U.S. over the second half of 2013?”

Middle Market Companies

Substantially Better Moderately Better

NYC & Mid-Atlantic Lead the Way

By a wide margin, NYC and Mid-Atlantic companies expect their regional economies to outperform the U.S.

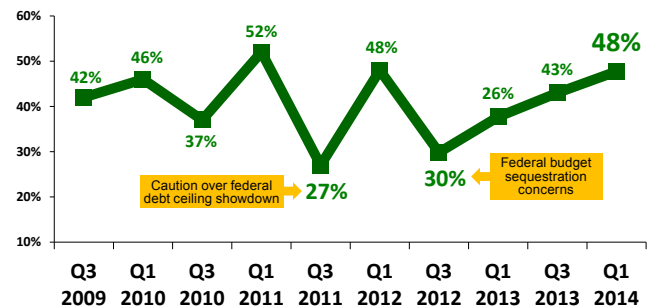


“Adjusting for normal seasonal ups and downs in your business cycle, what do you expect to happen to the real volume (number of units) of goods and services that you will sell during the next six months?”

Net Percentage Expecting Higher Unit Sales

Sales Expectations Continue to Rebound

Nearly half of mid-sized firms expect unit sales to increase during the first half of 2014, the third consecutive survey gain

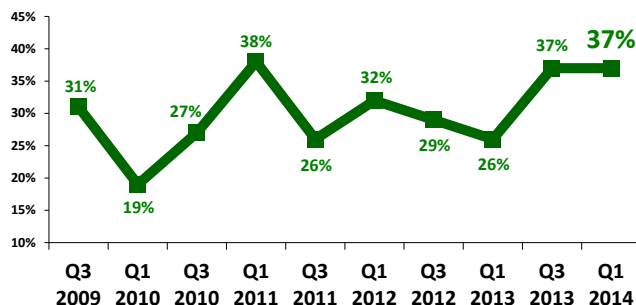


“Which of the following best describes your firm’s capital equipment spending plans over the next six months?”

Middle Market Companies

Capex Plans Stay Firm

A net 37% of mid-size companies plan to increase equipment and software spending during the first half of 2014

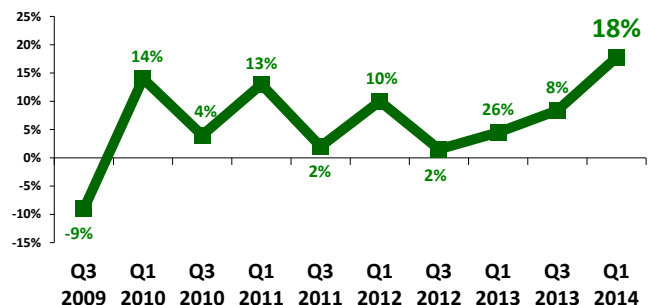


“Looking ahead six months, how do you expect your inventory levels to change?”

Net Percentage Increasing Inventories

Inventory Investment on the Upswing

After tightly managed inventories earlier in the recovery, companies appear poised to modestly expand stockpiles

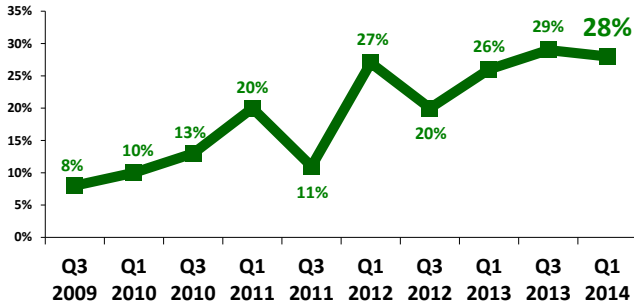


“Which of the following best describes your firm’s employment plans over the next six months?”

Middle Market Companies

Employment Outlook Remains Positive

A net 28% of mid-sized companies plan to increase employment during the first half of 2014



“Which of the following best describes your firm’s employment plans over the next six months?”

Middle Market Companies

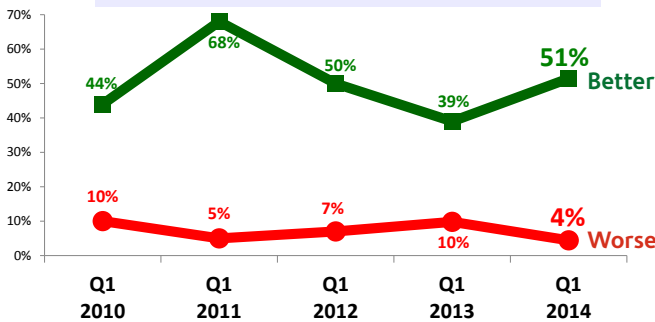
	Hire Additional Workers	Reduce Employment Levels	NET, Hire Additional Workers
Mid-Atlantic	36%	1%	+35
Pennsylvania	31%	2%	+29
New York City	31%	6%	+25
Upstate NY	28%	5%	+23

“How would you rate the current state of the U.S. economy compared to six months ago?”

Commercial Real Estate Companies

CRE Respondents See Improvement

A solid majority of CRE respondents feel the national economy has improved over the past six months

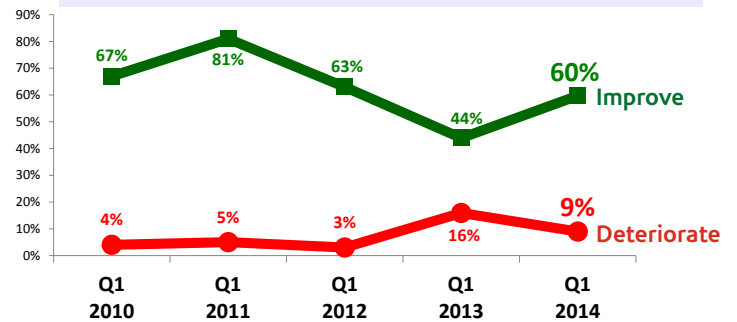


“How do you expect the national economy to perform over the next six months?”

Commercial Real Estate Companies

Near-Term Outlook Also Strengthens

CRE firms have grown more optimistic about the near-term outlook, with the net percentage expecting improvement eclipsing 50%

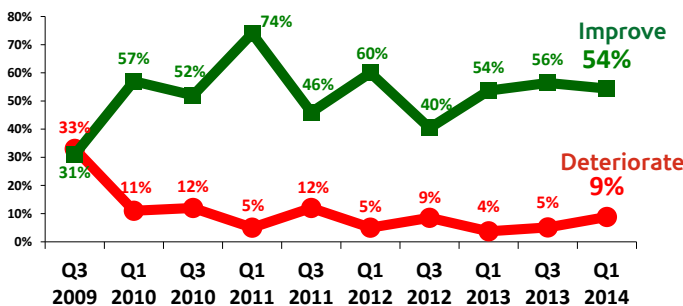


“What are your expectations for your own industry over the next six months?”

Commercial Real Estate Companies

Stable Industry Fundamentals

Expectations for CRE industry performance remain consistent with recent survey results



“Looking ahead six months, how do you expect your occupancy rates to change from their current levels?”

Commercial Real Estate Companies

Big Jump in Expected Lease-Up Activity

A net 39% of CRE Investors expect occupancy to rise through mid-2014, the strongest reading in survey history

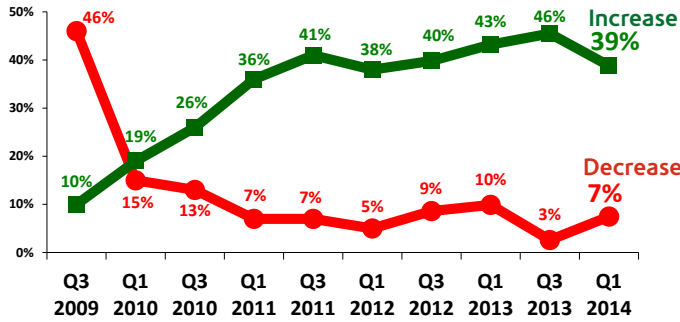


“Adjusting for normal seasonal ups and downs, what do you expect to happen to rental rates during the next six months?”

Commercial Real Estate Companies

Rental Rate Outlook Moderates Slightly

Although optimism remains strong, upward pressure on rental rates is expected to slow vs. recent trends

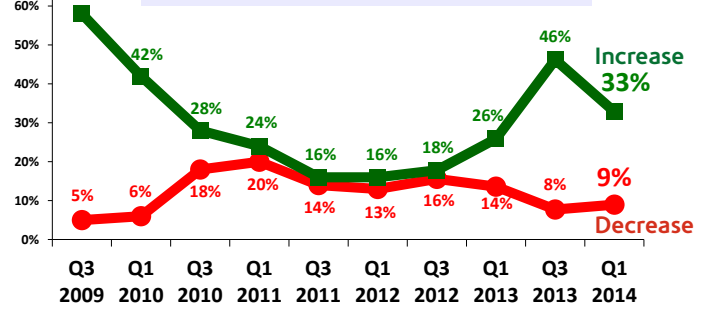


“What are your expectations for cap rates over the next six months?”

Commercial Real Estate Companies

Cap Rate Expectations Stabilize

After a big jump in mid-2013, CRE firms foresee a modest pullback in cap rate increases

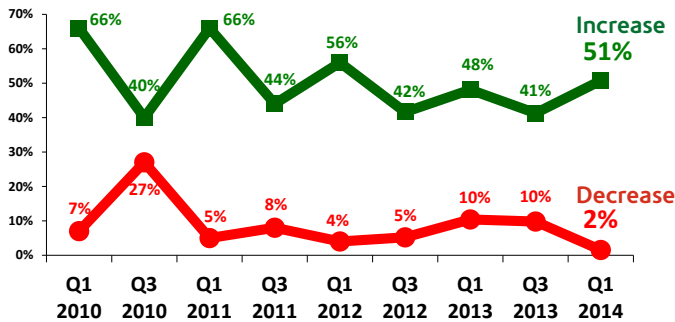


“What are your expectations for the volume of commercial real estate transactions nationally over the next six months?”

Commercial Real Estate Companies

Transaction Volume Remains Steady

CRE respondents expect transaction volume to remain positive

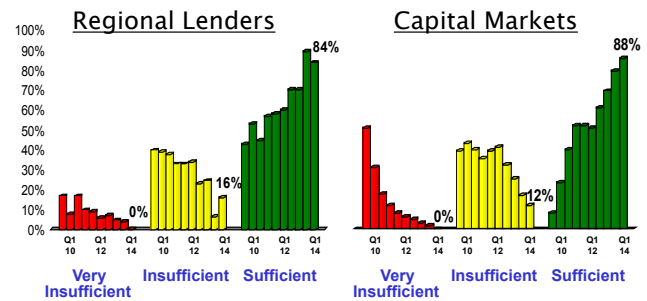


“How do you feel about the availability of CRE financing from the following sources over the next six months?”

Commercial Real Estate Companies

CRE Credit Flow Continues to Improve

Nearly all CRE investors have access to sufficient financing, with both regional lenders and capital markets operating well



ABOUT M&T: M&T Bank Corporation (NYSE: MTB.com), founded in 1856, is one of the top 20 independent commercial bank holding companies in the nation, with \$83 billion in assets, over 725 branch offices, and more than 15,000 employees throughout New York, Pennsylvania, Maryland, Delaware, Virginia, West Virginia, New Jersey, Florida, Washington D.C., and Ontario, Canada.

SURVEY METHODOLOGY: An Internet survey was conducted by M&T during January and February 2014 among senior managers and owners of privately held businesses located throughout the Bank’s geographic footprint. A total of 499 responses were received, consisting of 431 Middle Market enterprises (annual sales \$10 million to \$500 million) and 68 Commercial Real Estate investors/lessors. M&T has conducted the survey since mid-2009.

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For additional information about survey results, please contact:

Gary Keith

VP - Regional Economist

Commercial Planning & Analysis

(716) 848-4725

gkeith@mtb.com



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