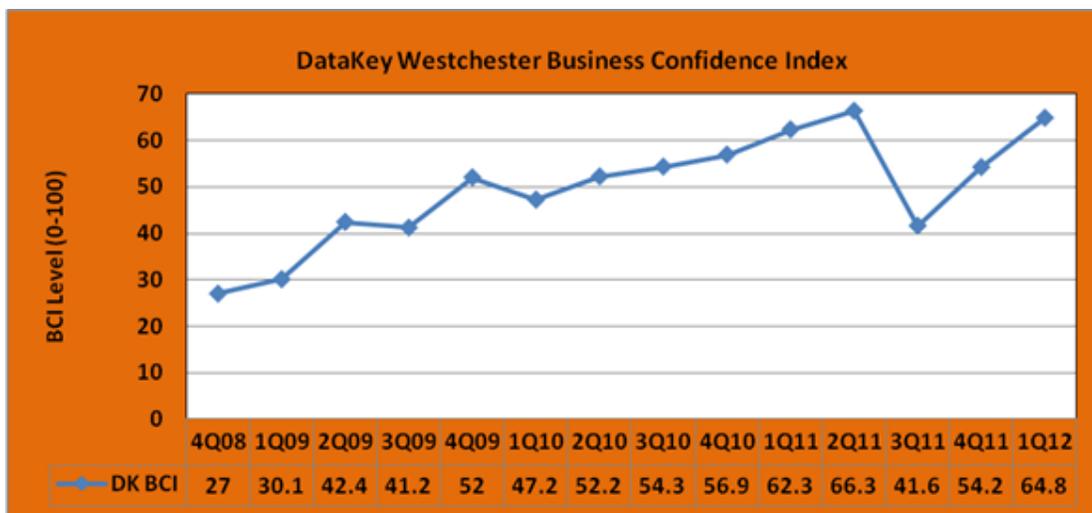


DataKey Westchester Business Confidence Index

The DataKey Business Confidence Index is sponsored by the Business Council of Westchester and designed/conducted by DataKey Consulting. The 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 1Q-2012 DataKey Business Confidence Index reading of 64.8 (on a scale of 1 to 100) indicates an improving optimistic outlook from the previous quarter (54.2). This quarter’s reading of 64.8 is the first instance in almost a year when the index has neared 2nd quarter 2011’s high water mark of 66.3.

Key takeaway/s – Westchester Business confidence this quarter has returned to the higher levels last seen in the first and second quarter of 2011. This improved confidence is being driven by improved revenue and profit outlooks and higher anticipated employee hiring rates. 22% of Westchester companies have more job openings compared to a quarter ago (with just 7% of companies having fewer openings). Westchester’s buoyed outlook is likely riding on the back of an optimistic nation as the Labor Department reported that the unemployment rate, “held at a three-year low of 8.3 percent last month after falling by 0.8 percentage points in the year ended January,” per Bloomberg. In fact, according to the Federal Reserve Bank of New York, “the jobless rate in the U.S. could drop to as low as 6 percent by the first half of 2013.” Note: Westchester is currently running at about a 6 percent jobless rate according to the Westchester Department of Economic Development.

Q17. Is the number of new job openings (not counting replacements) at your company less, the same or more compared to last quarter?

- 22% of companies responding to the survey have more job openings compared to last quarter
 - A static result compared to 4Q 2011 (23%)
- 68% of companies have the same number of job openings
 - Static result since the 4Q 2010 survey
 - 7% have fewer job openings than last quarter
 - Decrease over the 12% of 4Q 2011 respondents that indicated less hiring

Key takeaway/s – A majority of respondents have not added or reduced job openings. However, results show a continuation of the positive shift from last quarter with 22% of respondents reporting more hiring over the last three months and only 7% reporting fewer job openings (a 5-point decrease since 4Q 2011).

Q18. Is your capital spending budget for the next 6 months lower, the same, or higher compared to 3 months ago and 1 year ago?

- 76% of responding companies plan to lower, or keep their capital spending budget the same, compared to 3 months ago
 - Static result since 2Q 2011
 - 21% plan to increase their capital spending budget, compared to 3 months ago
 - 2 percentage point increase compared to 4Q 2011
- 54% say they plan to lower, or keep their capital spending budget the same, compared to 1 year ago
 - 10 percentage point decrease since 4Q 2011
 - 31% plan to increase spending compared to 1 year ago
 - Static result compared to 4Q 2011

Key takeaway/s – Reported capital spending budgets are slightly up since last quarter, with 21% or respondents intending to increase spending since last quarter and almost a third of respondents (31%) reporting plans to increase their spending compared to one year ago.

As the Owner of one Professional Services firm remarked:

“In my industry, we believe businesses are starting to spend more money. They understand that they cannot stagnate in this economy and expect to increase profits. They need to become proactive and make changes. Increase their brand exposure and awareness. As a multimedia firm specializing in these areas, we give these businesses the chance to do this at affordable rates.”

Q19. 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?

- 85% of company respondents anticipate static or increasing revenue over the next 6 months compared to 3 months ago
 - 9 percentage point increase over 4Q 2011
 - 59% expect increasing revenue compared to 3 months ago
 - 14 percentage point increase since last quarter
- 59% expect increasing revenue compared to 1 year ago
 - 16 percentage point increase since last quarter

Key takeaway/s – Revenue projections are much more optimistic than last quarter, with jumps of 14-points and 16-points, respectively, in the number of companies expecting increased revenue compared to 3 months ago and 1 year ago, bringing both of those totals to 59%. That means that a strong majority of respondents have a positive outlook for revenue change over the next two quarters.

As the CEO of a Technology Services company explains, business is back on track:

“I feel that businesses in general held back spending on technology but have started to spend again... We see an increase in closing compared to a year ago.”

Q20. What is your expected change in profit over the next 6 months compared to the projections 1 quarter ago?

- 86% of companies respondents anticipate the same, or more, profit over the next 6 months compared to 3 months ago
 - 11 percentage point increase since 4Q 2011
 - 47% expect increasing profit, 39% expect static profit
 - 11 percentage point increase in those respondents that expect increasing profit

Key takeaway/s – In alignment with optimistic revenue projections, the majority of respondents indicated high expectations about profit numbers, with an 11% increase in the number of companies who expect to report higher profit than three months ago.

Q21. What is your expected change in the performance of your industry over the next 6 months compared to 3 months ago?

- 85% 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
 - 8 percentage point increase since last quarter
- 4% of respondents expect their industry's performance to fall compared to 3 months ago
 - 10 percentage point decrease since last quarter

Key takeaway/s – Confidence in industry performance this quarter continues last quarter's positive trends, with 85% 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 by two-thirds (from 14% to 4%) since last quarter.

Q22. Has your confidence in your business declined, stayed the same or improved compared to 3 months ago and 1 year ago?

- 43% report increased confidence in their business compared to 3 months ago, and 60% report increased confidence compared to 1 year ago
 - A significant increase compared to last quarter's responses (29% and 27%, respectively, in 4Q 2011)
 - 9% report decreased confidence compared to 3 months ago
 - 8 percentage point decrease compared to 4Q 2011 results

Key takeaway/s – Confidence continued to rally this quarter, with the majority of respondents (60%) reporting increased confidence compared to 1 year ago and 43% reporting an increase in confidence since last quarter. These numbers represent vast improvements over last quarter, when only slightly over a quarter of respondents reported a sunny outlook.

Q23. How do you expect Westchester County's economic condition to fare relative to other NY, NJ and CT state counties over the next 6 months compared to 3 months ago and 1 year ago?

- 39% 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.

- 5% of respondent companies anticipate a decline when *compared to 3 months ago*, versus 44% who expect a better economic condition
 - 10% expected a decline, and 25% expected a better economic condition when surveyed in 4Q 2011; meanwhile about half expected no change
 - 19 percentage point increase in the number of respondents that anticipate a better economic condition compared to 3 months ago

- 7% anticipate a decline when *compared to 1 year ago*, versus 51% who expect a better economic condition
 - 12% expected a decline, and 27% expected a better economic condition when surveyed in 4Q 2011

Key takeaway/s – Expectations for Westchester County’s outlook soared this month. *For the first time ever* (since this survey began in 4Q 2008), the majority of respondents expected that Westchester’s economic conditions would fare better than that of our neighbors.

As one CEO of a Non-Profit firm observes:

“Westchester is doing better than other areas. Proof is in the housing market!”

Closing Commentary

Economic confidence in Westchester has fully recovered this quarter, with businesses across the spectrum reporting a positive outlook for the coming months in all indicator areas – hiring, revenue, profits, and general sentiment. After months of belt-tightening and anxiety, companies are eager to reap the benefits of their hard work and get back to business as usual.

The Owner of a Professional Services company agrees:

“Our success is directly related to people working, improving their business skills and learning how to drive long term economic growth. Let’s stop paying unemployment benefits and force people to work and do whatever it takes to engage and contribute to the region’s success.”

About DataKey. DataKey Consulting, LLC is one of the fastest growing management consulting firms in Westchester County, NY, with satellite offices in California. Founded by Ted Miller in 2004, DataKey vowed to form a different kind of consulting firm, where experienced consultants formulate recommendations and *follow through* on implementations that “stick.” DataKey has successfully completed hundreds of projects across more than 30 different industries for companies from mid-market to Fortune 500. As a measure of client satisfaction, over 90% of DataKey clients engage in more than one project with the DataKey team. To learn more, please visit www.datakeyconsulting.com.