

2019 Economic Forecast

for Central New York



CenterState CEO is pleased to present its 2019 Economic Forecast Report for Central New York. The Economic Forecast Report is a source of strategic insight on regional, state and national economic trends. This report is developed annually with input and expertise collected from CenterState CEO members through surveys and moderated focus sessions with support from Research & Marketing Strategies, Inc. (RMS), a third-party market research firm. Collectively, this information provides a unique tool you can use throughout the year as a source of strategic information across industries.



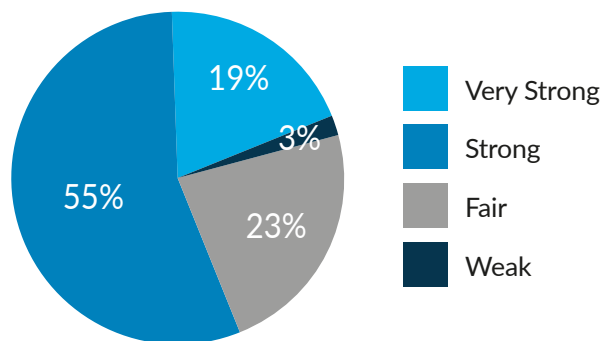
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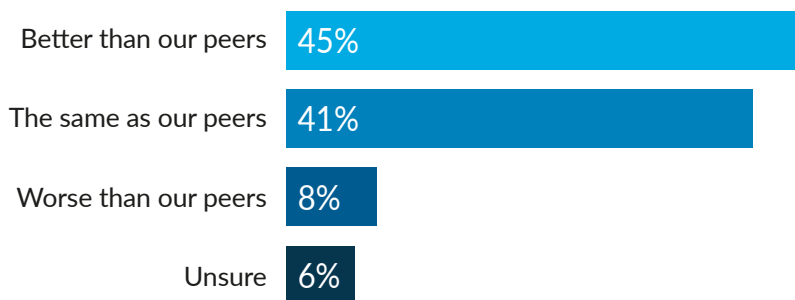


2018 Perspective

How would you assess the strength of your business in 2018?



Compared to your industry sector peers in 2018, how is your business performing?



2018 Trends and/or Pressures*

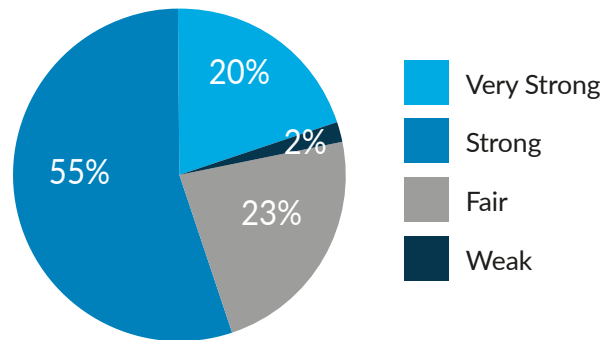
What were the major trends and/or pressures that dominated your industry sector this year?



*Respondents selected up to three trends/pressures.

2019 Outlook

What are your expectations for the strength of your business in 2019?



What are your projections for 2019?

Overall Sales or Revenue



Products/Services



Jobs or Hirings



Capital Investments



Geographic Markets



GROWTH NO CHANGE DECLINE

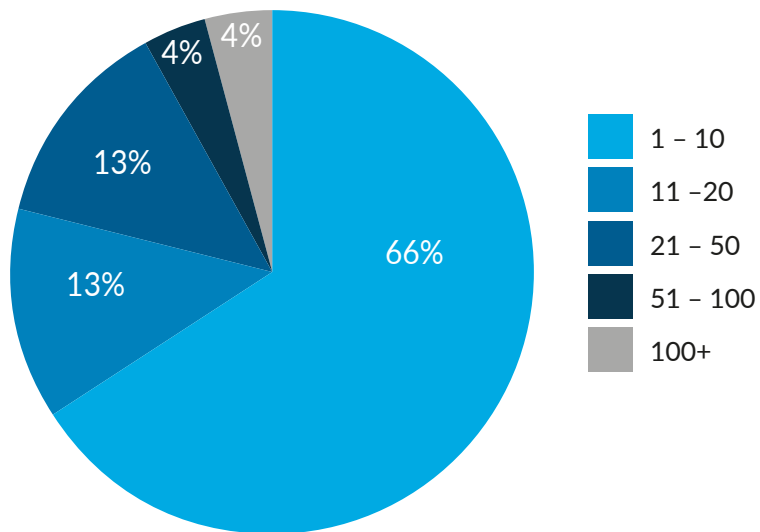
2019 Environmental Factors

To what extent do you expect the following environmental factors will impact your business in 2019?

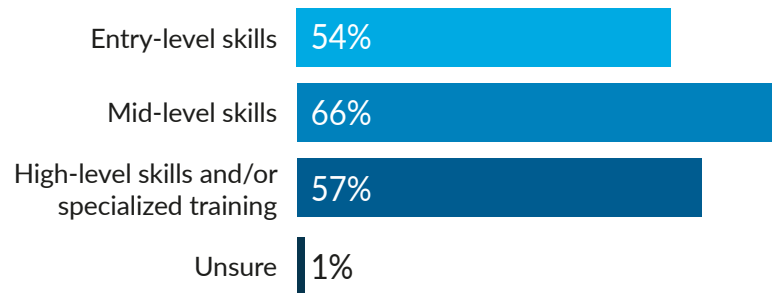
	Positive Impact	No Impact	Negative Impact
Government Policy and Regulatory Issues – existing laws, policies, government procedures or the current political environment.	16%	23%	61%
Workforce and Talent – the ability to attract and retain the right people in the right positions, and/or the ability to invest in and develop the skills of the existing workforce.	31%	21%	48%
Demographic Factors – the characteristics of the regional community, such as age, gender, racial and ethnic diversity, marital status, family size, etc.	36%	43%	21%
Competition – the number of similar competitive product/service brands available.	13%	49%	38%
Innovation and Technology – innovations within an industry and the advancement of technology as it applies to business operations.	67%	28%	5%
Social Forces – the impact of poverty and economic disparity in the regional community.	11%	45%	44%
Cultural Forces – the structure and dynamics of behaviors, beliefs, lifestyles, etc.	39%	46%	15%
Transportation and Logistics – the ability to effectively and efficiently move people and goods to markets, locally, domestically and abroad.	16%	66%	18%
Natural Forces/Resources – the physical environment, and access and availability of natural resources.	14%	80%	6%
Tariffs – fees placed on the import of foreign goods into the country or on the export of U.S. goods by other countries.	2%	67%	31%

2019 Hiring Outlook

If hiring in 2019, how many employees do you intend to add?



What skill level are you seeking for additional employees?

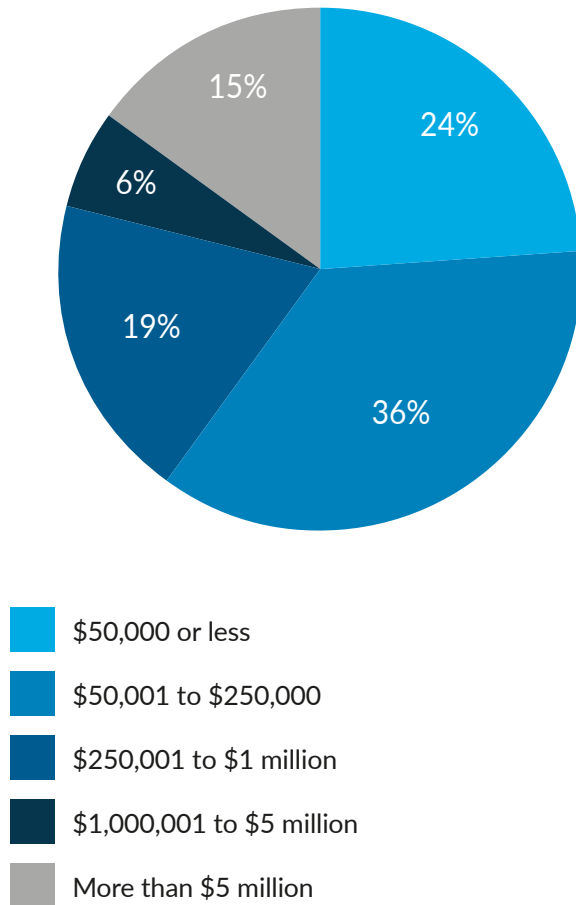


What hiring challenges do you expect in 2019?

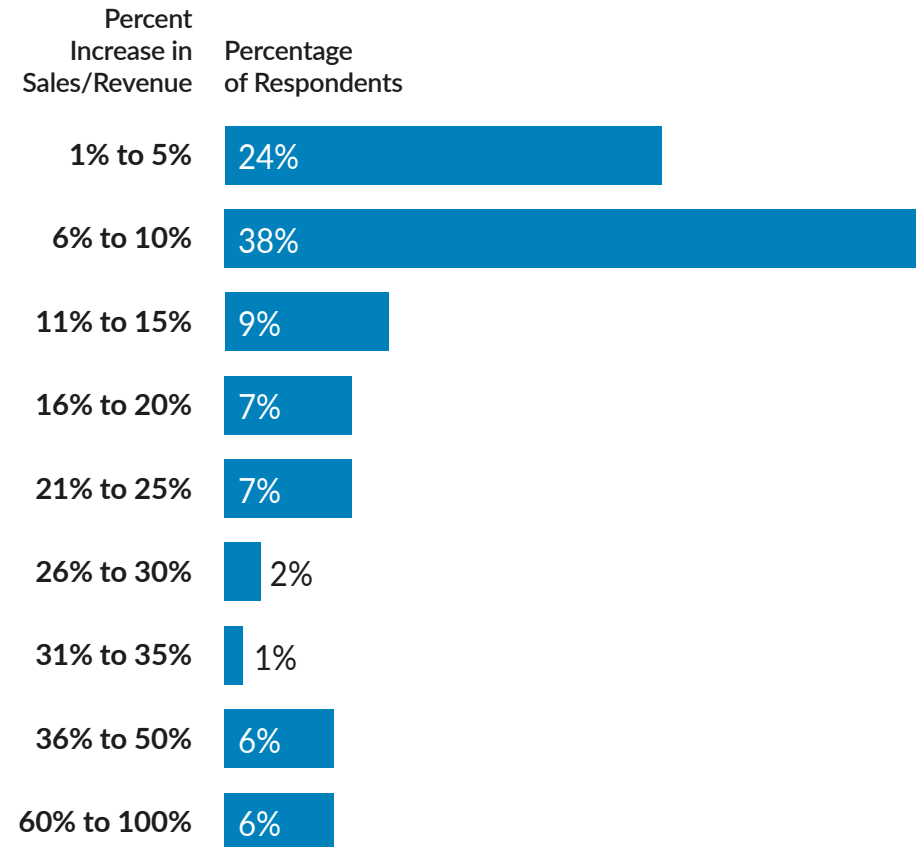
- Finding qualified candidates for both entry-level and experienced positions
- Aging workforce and lack of workforce-ready, entry-level candidates
- A competitive workforce environment leading to higher salary demands

2019 Investment & Sales Outlook

By how much do you expect to increase capital investments in 2019?



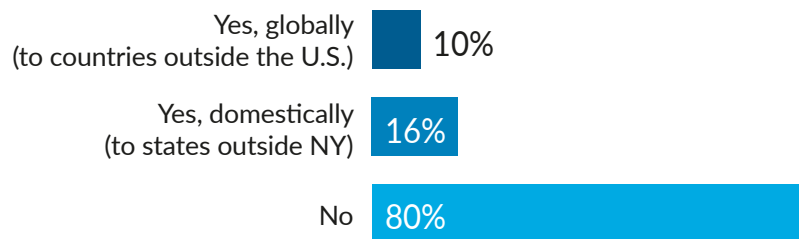
By how much do you expect to increase overall sales or revenue in 2019?



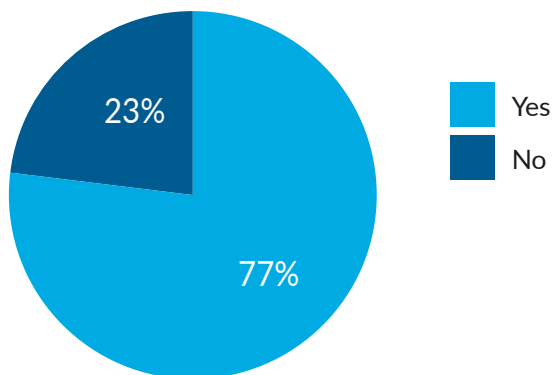


2019 Export Outlook

Do you currently export a product or service?



Do you expect your export business to grow in 2019?



CenterState NY Export Trends

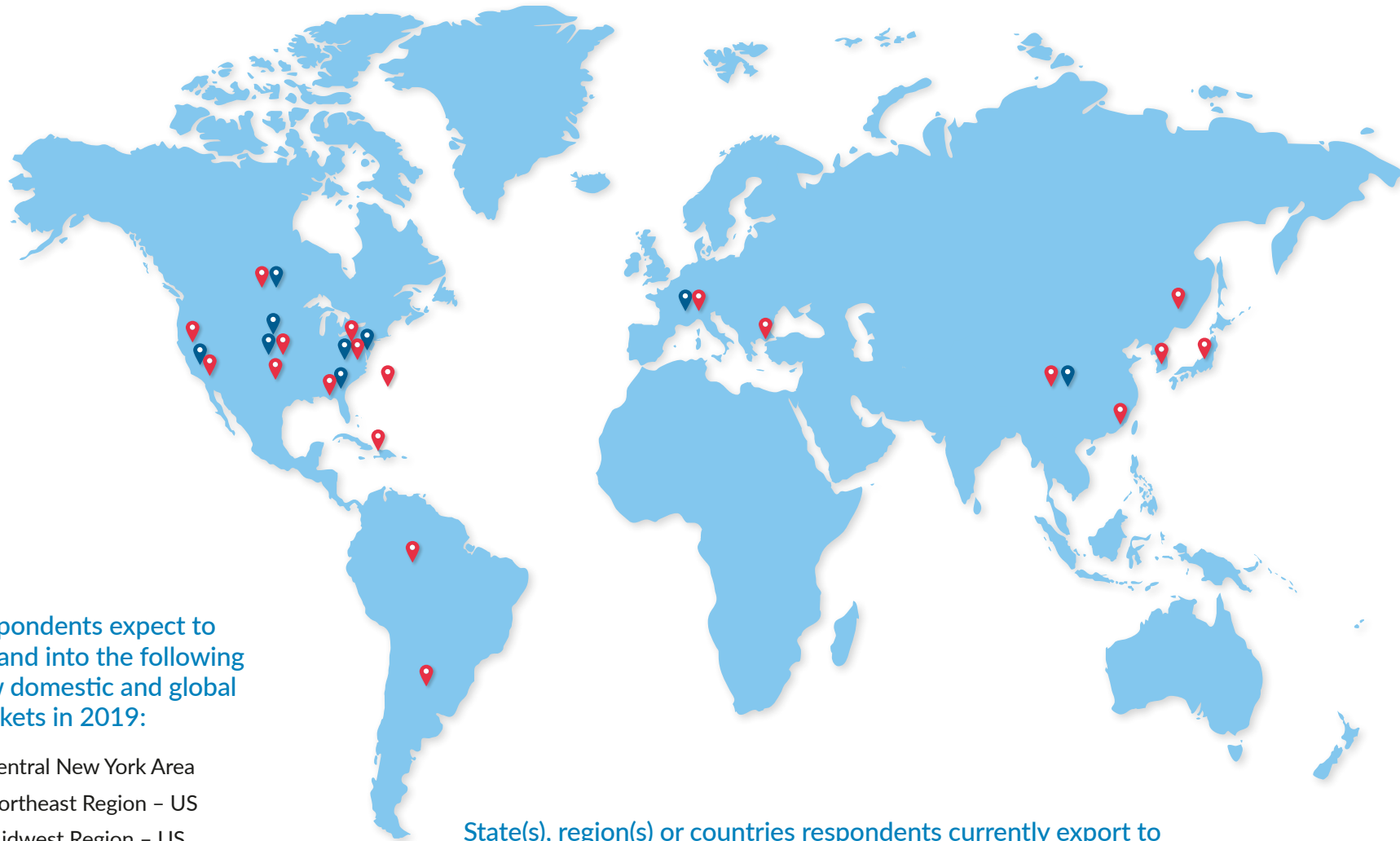
	2003	2017	Growth %
Real Exports in Millions	2.5	3.8	52%
Direct Export-Supported Jobs	9,960	14,010	41%
Total Export Supported Jobs	18,530	26,190	41%

Top Industry Sectors by Real Exports 2017*

	Real Exports (in millions)
Agriculture, Forestry and Fishing	285.42
Finance and Insurance	434.42
Ed, Meds & Tourism	951.18
Information & Technology	1018.99
Manufacturing	4795.51

Source: Brookings Institution Export Monitor 2018

*Data represents high-level 2-digit NAICS export data for the 12-county CenterState NY region.



Respondents expect to expand into the following new domestic and global markets in 2019:

- 📍 Central New York Area
- 📍 Northeast Region – US
- 📍 Midwest Region – US
- 📍 Southeast Region – US
- 📍 West Coast Region – US
- 📍 Entire United States
- 📍 Canada
- 📍 Europe
- 📍 Asia

State(s), region(s) or countries respondents currently export to or their general market area:

- | | | | |
|-------------------------|--------------------------|-----------|----------------------------|
| 📍 Central New York area | 📍 West Coast Region – US | 📍 Israel | 📍 Asia |
| 📍 Northeast Region – US | 📍 Entire United States | 📍 China | 📍 Bermuda |
| 📍 Midwest Region – US | 📍 Canada | 📍 Korea | 📍 Middle and South America |
| 📍 Southwest Region – US | 📍 Caribbean | 📍 Japan | |
| 📍 Southeast Region – US | 📍 Europe | 📍 Vietnam | |

Forecasters were asked to outline opportunities and challenges unique to their specific industry or cluster in 2019.



Aerospace/Unmanned Aerial Systems/Cybersecurity

Leading Opportunities

The region's targeted support has enabled advances in artificial intelligence and the unmanned systems sector. This support includes the introduction of "cyber careers" in high schools, startup support and the resources and expertise needed to build out the unmanned traffic management corridor.

Top Pressures/Trends

In order to continue the momentum started, companies need a qualified and trained workforce, specifically in cybersecurity.



Banking, Financing & Insurance

Leading Opportunities

An overall strong economy and rising interest rates support the industry. Additionally, recent market uncertainties have caused more people to look for safer investment opportunities.

Top Pressures/Trends

Challenges include the decline of credit quality and market volatility; a declining population; and retaining and recruiting the right talent are limiting growth potential.

Agribusiness & Food Processing

Leading Opportunities

Biofuels provide a new market opportunity, and the ability to export corn and soybeans will support industry growth and stability.

Top Pressures/Trends

Regulatory changes that don't support the renewable fuels industry are a challenge.



Construction & Real Estate

Leading Opportunities

A stronger local economy and a strong focus on infrastructure improvements have supported industry growth. The easing of federal lending rules and regulations provide more buyer opportunity, and the threat of rising interest rates has convinced some buyers to enter the market sooner than later.

Top Pressures/Trends

There has been a substantial reduction in housing inventories in the area; on the horizon, a decrease in housing affordability will be an issue.



Energy or Environmental Systems/Services

Leading Opportunities

The increase of public awareness and interest in electric vehicles as well as New York state's focus on creating clean fuel corridors has supported the industry.

Top Pressures/Trends

The age of utility infrastructure is expected to slow growth.



Credit: SparkCharge

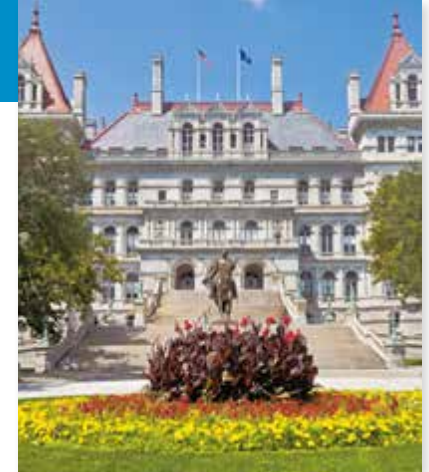
Government, Public Administration & Economic Development

Leading Opportunities

Strategic planning focused on economic inclusion will support strong regional growth. Strong investments in advanced manufacturing, agribusiness, tourism, as well as in downtown Syracuse have driven new opportunities.

Top Pressures/Trends

Local municipalities are strained by constantly trying to do more with fewer resources. Significant and meaningful mandate relief is needed. Communities need to collaborate and look for shared service opportunities.



Engineering & Architectural Services

Leading Opportunities

Large scale infrastructure projects and continued deregulation will support the industry. There is also the expectation that Amazon's move into New York state will create opportunities.

Top Pressures/Trends

The competition for employees, specifically mid-level engineers, will impact growth trajectories.



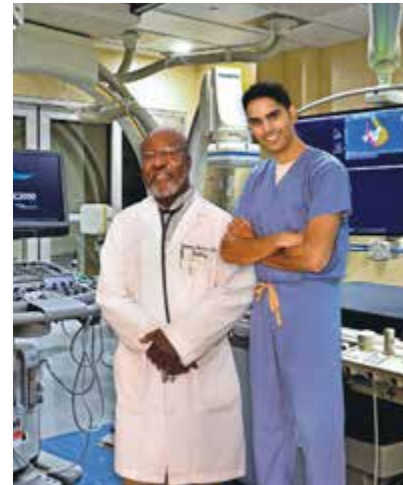
Health Care

Leading Opportunities

An aging population is putting a strain on health care services. Overall, the health care needs of the population are increasing.

Top Pressures/Trends

Changes to reimbursement in 2019 will continue to squeeze funding sources (primarily Medicaid and Medicare). The rising cost of insurance also strains the industry.



Credit: Crouse Health

Higher Education

Leading Opportunities

Higher education institutions have an opportunity to support business needs for a stronger, more well-trained workforce.

Top Pressures/Trends

A push for online degrees can create challenges for institutions.



Credit: Kevin Morrow

Manufacturing/ Advanced Manufacturing

Leading Opportunities

Companies in the industry are seeing an increased demand for digital printing and 3D printing, which is leading to new opportunities. Additionally, companies are reshoring and focusing on clean technologies, sustainability, and worker and process automation, which supports growth for the industry.

Top Pressures/Trends

The industry faces several challenges including aging equipment that needs to be upgraded; an aging workforce; rising employment-related costs; and wage inflation. National and global trends are also causing strain, including trade tensions and tariffs, which have led to increased costs.



Credit: The Salvation Army

Human Services & Nonprofits

Leading Opportunities

Home and community-based services; the expansion into underserved communities; collaborations with other nonprofits; and increased investments in early-childhood education, have provided new opportunities.

Top Pressures/Trends

The rise of minimum wage, workforce recruitment and retention, increase in health insurance costs, and keeping up with technology changes, are challenges as the industry works to stay competitive and efficient.

Professional & Technical Services

Leading Opportunities

Sector growth has been supported by acquisitions and consolidation, enabling companies to be more competitive. New technology, tax reform, and an increased regional footprint, create opportunities for the industry.

Top Pressures/Trends

Companies face a variety of challenges related to labor shortages; high costs of employee benefits and training; an increase in the minimum wage; as well as high taxes and unknowns related to tariffs.



Technology, Software & Internet Services

Leading Opportunities

A shift by companies looking to better manage big data, track analytics and increase process improvement have supported the industry.

Top Pressures/Trends

Companies face increasing costs related to technology trends. Likewise, they are trying to determine what will be reality versus hype when it comes to “artificial intelligence.”



Transportation, Warehousing & Distribution

Leading Opportunities

The growth and wider use of connected equipment will provide differentiation from competitors.

Top Pressures/Trends

Continued regulation of the industry has had a negative



impact on productivity; some measures to support safety have made drivers more reckless.



Retail & Food Services

Leading Opportunities

Downtown’s residential growth has supported this industry. Additionally, the option for take-out and ready-to-eat meals are popular for busy families and professionals.

Top Pressures/Trends

The increase in the minimum wage has put pressure on some in the industry.

Tourism, Arts, Entertainment & Recreation

Leading Opportunities

The growth in downtown Syracuse and expanding industries, from craft beer to drones, has created new opportunities. The low unemployment rate has led to increased disposable spending.

Top Pressures/Trends

Businesses are concerned about the changes to the tax laws and the impact the new structure of deductions will have on giving and family budgets. Likewise, increased competition and slow economic growth in the community are challenges.



Credit: Cortland County Convention and Visitors Bureau

Utilities & Telecommunications

Leading Opportunities

An improving economy; wireless technology advancements; changing consumption of entertainment (streaming); and emerging clean energy initiatives, have supported the sector.

Top Pressures/Trends

Increasing competition and the need to integrate new technology before it’s ready creates challenges for the industry.



Credit: National Grid

Innovation & Technology

"As a technology business, meeting or exceeding knowledge and outpacing market growth will lead us to become a leader in our sector."

"We need to keep pace to attract a new, relevant workforce to build solutions and deliver locally."

"Technology impacts our ability to better serve customers and stay competitive."



Credit: TCGplayer.com

- Constantly evolving technology continues to be costly and time-consuming as organizations work to keep up with competitors.
- A younger workforce expects a technologically advanced workplace, and employers are working to keep pace with ever-changing technologies to attract skilled and younger workers.
- Some organizations have embraced technology as a means to attract new clients. For many organizations, adopting new technology is burdensome, but required in order to stay relevant in the marketplace.



Workforce & Talent

“We expect a scaling back of our customer base because of a lack of skilled workers.”

“I hope to be able to find more talent for my organization, and several of my clients are facing shortages of skilled employees in their industries.”

“Must keep current staff happy and motivated, since replacing them is harder to do under current employment conditions.”

- Organizations continue to report difficulty finding key talent, and/or attracting highly skilled labor to the area. Maintaining top performers has also become an issue due to increasing wages from competitors.
- With multiple generations in the workforce at the same time, organizations are having difficulty finding ways to engage younger workers.
- Some companies also indicated a reduction in the number of individuals in the workforce, regardless of the skill set needed. Not enough workers are available across all levels.

Market Conditions & Business Climate

"We need to differentiate ourselves, and coming up with new products can help do that."

"We are making strategic investments in organizational realignment that will improve performance and efficiency."

"Multiple nonprofits are competing for limited corporate support."

"Economy is booming, and consumer confidence is high. That leads to projects and spending."

New Products/Services/ Business Methodologies

- Businesses see new product and service development as both a challenge and an opportunity. Some see an opportunity to remain a market-leader and streamline operations, while others noted the cost burden associated with diversification.
- The need for new products and services is critical to remaining relevant in crowded and high-demand industries.
- Organizations continue to look to diversify their revenue streams with new products and services as a way of protecting their cash flow and minimizing their vulnerability to rapidly changing markets.

Re-alignment and Collaboration

- Organizations are looking for additional opportunities to network with other businesses to discuss collaboration.
- Businesses see organizational re-alignment as an opportunity for growth, providing the ability to achieve goals.
- Strategic investments in organizational realignment are an opportunity to improve employee performance and overall efficiency.

Competition

- The nonprofit and financial industries are finding it difficult to compete due to market saturation.
- Many industries are seeking ways to streamline budgets in order to compete in the marketplace.
- Overall, competition across industries is perceived to be a continuing issue in 2019. For some, this provides a motivator, but for others increased competition is making growth difficult.

Local/Regional Economy

- There is a general sense across most industries that an improving economy will lead to additional business revenue.
- Organizations still believe that New York state is not “business friendly” due to high taxes and prohibitive regulations. There continues to be a consensus among business leaders that more needs to be done to make CNY attractive to employers and talent.
- Poverty remains a significant issue and local leaders believe that businesses need to do more to support the community. Organizations need to help create opportunities for employing and developing the impoverished. An effective transportation system and additional affordable daycare options are needed in poverty-stricken areas to help address this issue.



Employee Benefits

“Expect wage demands to increase, leading to price increases.”

“Rising employment-related costs will continue to drive lean hiring practices and finding technology-based solutions rather than bringing on additional manpower.”



- Employee benefits and costs were again the most commonly reported trend/pressure looking in 2019. Organizations continue to express significant concern over the expense of employee benefits, particularly health insurance.
- Organizations are concerned with the rise of health care premiums, often double-digit percentages, year after year.
- Employee wage expectations continue to rise as the workforce continues to experience a shortage in skilled workers. This has put a strain on businesses as they find the need to offer higher salary packages to compete in the marketplace for top talent.

Government Policy & Regulatory Issues



Credit: <https://www.flickr.com> (by wadester16)

Regulatory Requirements/Changes

- Organizations remain uncertain, as their daily business functions (including reimbursements, expenses, etc.) are significantly impacted with pending or frequently changing legislation relevant to their industry.
- There is a concern among organizations that New York state regulatory requirements are more of a burden compared to other states. This makes it harder for those organizations to keep up with out-of-state competitors and is a barrier to new organizations expanding within or coming to the state.
- Minority and Women Owned Business Enterprises (MWBE) businesses feel a positive impact from state regulation quotas for MWBE participation, while other organizations feel there is not enough local capacity to fulfill MWBE goals.

Political Landscape

- Organizations are concerned with political influence on budgets, particularly those that rely on federal and state funding to maintain operations.
- Business leaders continue to believe that cooperation among local and statewide political leadership will be integral to the growth of the CNY economy, by enabling the growth of businesses and making the region a more attractive place to live and work.
- Some organizations feel that deregulation has had a positive impact on the business world.

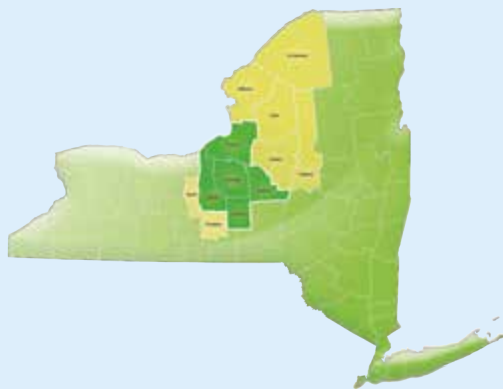
Impact of Tariffs

- The cost of materials and supplies across industries is rising, placing additional strain on already streamlined operational budgets.
- Businesses report a need for materials/supplies to expand, but rising prices have resulted in the need for efficiency and smart vendor selections.
- Tariffs are expected to result in increasing consumer prices across industries, from the price of the product to the cost of shipping.

“Additional taxes or fees to business will lower investment and harm consumers through higher prices.”

“Partnering with local leaders in the continued development of future community leaders, as well as promoting local business synergy will directly impact our business for 2019 and beyond.”

“[Tariffs] will raise the retail prices to the consumer. It will also make US made products more competitive.”



The Region

The Central New York region includes: Cayuga, Cortland, Madison, Onondaga and Oswego counties. It is part of the larger 12-county CenterState New York region, which also includes the counties of: Herkimer, Jefferson, Lewis, Oneida, Seneca, St. Lawrence and Tompkins.



Strong Job Market Expected for Syracuse MSA*

Syracuse MSA employers expect to hire at a favorable pace during Q1 2019, according to ManpowerGroup's latest Employment Outlook Survey. Among employers surveyed, 18 percent plan to hire more employees from January through March. This number is offset by the seven percent that plan to reduce payrolls, while 73 percent of employers expect to maintain current staff levels, and two percent indicate they are not sure of their hiring plans.

	Increase Staff Levels	Decrease Staff Levels	Maintain Staff Levels	Don't Know	Net Employment Outlook
Q1 2019 (current)	18%	8%	73%	2%	11%
Q4 2018 (previous quarter)	21%	4%	76%	1%	17%
Q1 2018 (one year ago)	20%	5%	74%	2%	15%

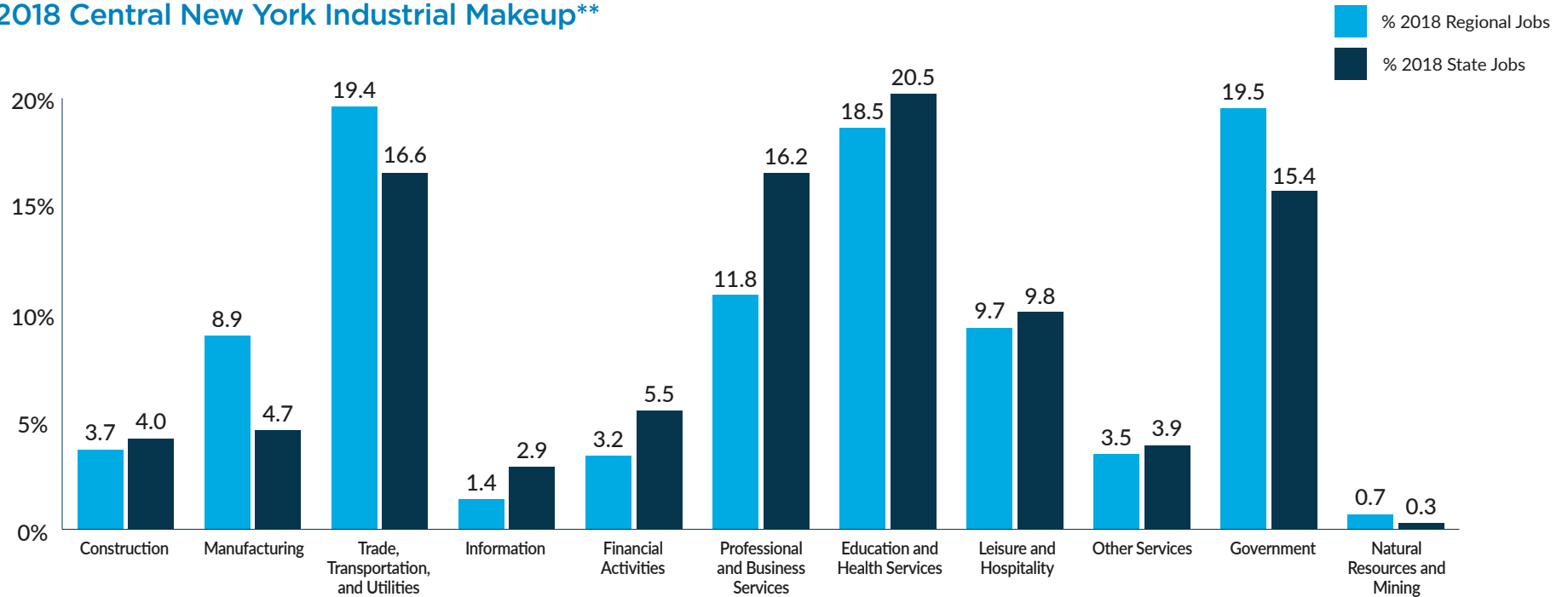
*The net Employment Outlook is derived by taking the percentage of employers anticipating an increase in hiring activity and subtracting from this the percentage of employers expecting a decrease in hiring activity.

- For the coming quarter, job prospects appear best in durable goods manufacturing; transportation & utilities; wholesale & retail trade; financial activities; education & health services; other services; and government.
- In contrast, employers in construction; nondurable goods manufacturing; professional & business services; as well as leisure & hospitality, plan to reduce staffing levels. Hiring is expected to remain unchanged in the information sector.

Source: ManpowerGroup Employment Outlook Survey, Syracuse MSA 2019

*The Syracuse MSA includes: Madison, Onondaga, and Oswego counties.

2018 Central New York Industrial Makeup**



	2018 Regional Jobs	% Regional Jobs	2018 State Jobs	% State Jobs
Construction	12,538	3.7%	368,115	4.0%
Manufacturing	29,971	8.9%	437,605	4.7%
Trade, transportation and utilities	65,762	19.4%	1,533,664	16.6%
Information	4,706	1.4%	270,730	2.9%
Financial activities	10,715	3.2%	508,820	5.5%
Professional and business services	40,023	11.8%	1,496,516	16.2%
Education and health services	62,695	18.5%	1,894,853	20.5%
Leisure and hospitality	32,780	9.7%	904,673	9.8%
Other services	11,687	3.5%	364,040	3.9%
Government	65,953	19.5%	1,435,584	15.5%
Natural resources and mining	2,373	0.7%	26,302	0.3%

Source: NYSDOL QCEW, Central New York Region, 2018

**Data represents the five-county Central New York Regional Economic Development Council region

2019 Thank You Forecasters*

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Allyn Family Foundation

ARISE

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Borio's Restaurant

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DICK'S Sporting Goods Open

Eagle

EY

Food Bank of Central New York

Fust Charles Chambers LLP

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Giovanni Food Co., Inc.

Gwen, Inc.

Highland Patient Transport

Knowles Precision Devices

Liverpool Blueprint, Inc.

LTP Contracting Group LLC

MAS

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Staffings

Summit Federal Credit Union

Symphoria

The Alvina Group

The Kelberman Center

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