


Long Island Economic Survey & Opinion Poll 2010 - 2011




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THE PERSONAL COLLEGE

AVZ
CERTIFIED PUBLIC ACCOUNTANTS

Long Island BusinessNEWS

December 2010

Dear Long Island Business Owner:

This year marks the 17th Annual Long Island Economic Survey and Opinion Poll. First and foremost, we would like to thank everyone who took the time to participate in our survey. We appreciate your interest in the survey results and your ongoing commitment to the Long Island business community. While our results show continuing concern for our local and national economies, respondents were slightly more optimistic this year about recovery and growth.

<u>Executive Summary:</u>

- The Long Island economic confidence rating decreased from 5.2 to 5.0.
- The National economic confidence rating decreased from 5.1 to 5.0.
- 57% of respondents do not think we are headed for a double dip recession.
- 85% projected an Election Day shake-up.
- 96% believe that the expiration of the Bush Tax Cuts will have an impact on our economy.
- 71% stated that the Healthcare Reform Act has already had an impact on their business.
- 37% realized a decline in revenue from 2009 to 2010; which is down from 55% in last year's survey.
- 38% project no revenue growth for 2011; while 24% are expecting to see a gain of one to five percent.
- 50% (down from 75% last year) project net income for 2010 will be lower than 2009.
- 45% (down from 55% last year) experienced a decrease in full time employees during 2010.
- 90% do not have any facility expansion plans for 2011.
- 55% of respondents believe that interest rates will remain the same in the coming year.
- 49% think real estate prices will remain the same in the coming year.
- 80% anticipate stock market indices will either increase or remain the same in the coming year.

As you have come to expect each year, we mail out our Economic Survey questionnaires on October 1 and begin the process of taking the pulse of the Long Island business community. The survey has come a long way since those first few years and we now know that it is anticipated, utilized, advertised, quoted and used as a reference for countless Long Island business men and women. We would like to thank the Long Island Business News for their continued support. Once again, we thank you for your participation and we welcome your feedback and comments as we move forward each year trying to make our Survey more valuable to you. Best wishes for growth and success in 2011.

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Demographics

The 2010-2011 Long Island Economic Survey and Opinion Poll, compiled by Albrecht, Viggiano, Zureck & Company, P.C. (AVZ) and the Townsend School of Business at Dowling College, was mailed to approximately 5,500 Long Island Business owners. This mailing targets a variety of industries with companies whose workforce exceeds 20 employees.

More than half (54%) of the respondents maintain their business operations in Suffolk County; 38% are in Nassau County, with 8% having facilities in both locations and elsewhere.

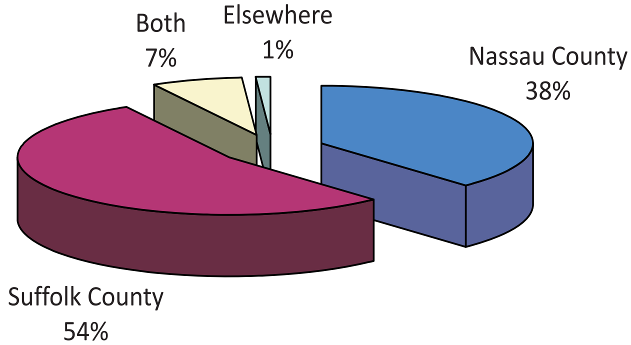
An overwhelming majority (98%) have been in business for more than 10 years. Two-thirds (66%) have operated for over 30 years.

The vast majority of respondents (93%) reported total employee headcount of less than 250; with 70% employing less than 50 people.

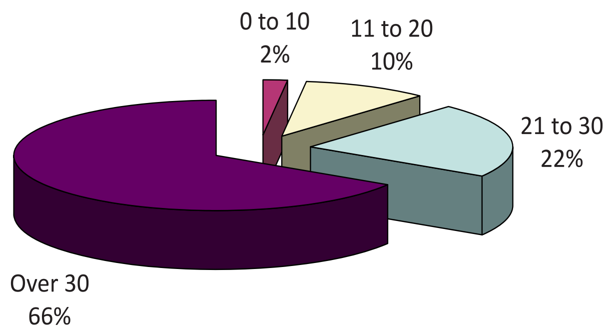
Our respondents represent a very diverse cross section of industries. Approximately one-quarter of the respondents (24%) categorized their industry as "Other" which includes (but is not limited to) restaurants, marine supply, waste management, education, publishing, hospitality and horticulture.

Privately held businesses represent 93% of the respondents.

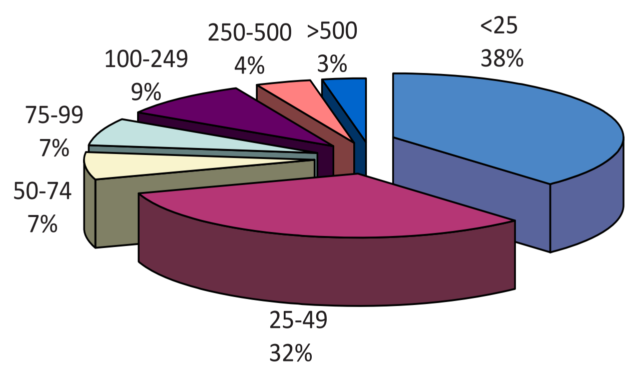
Principal Place of Business



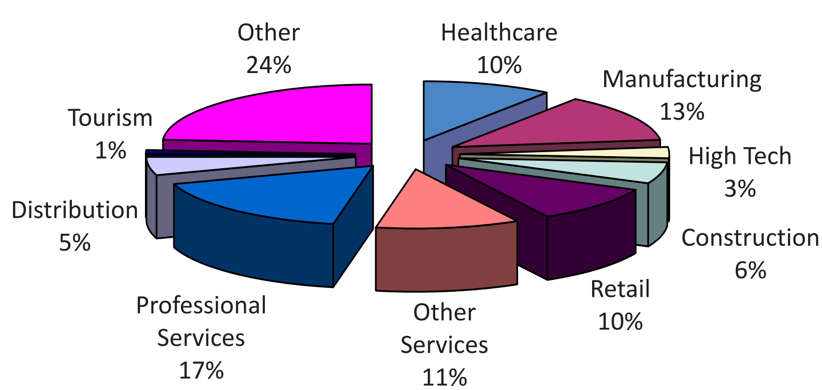
Number of Years in Business



Number of Employees



Line of Business

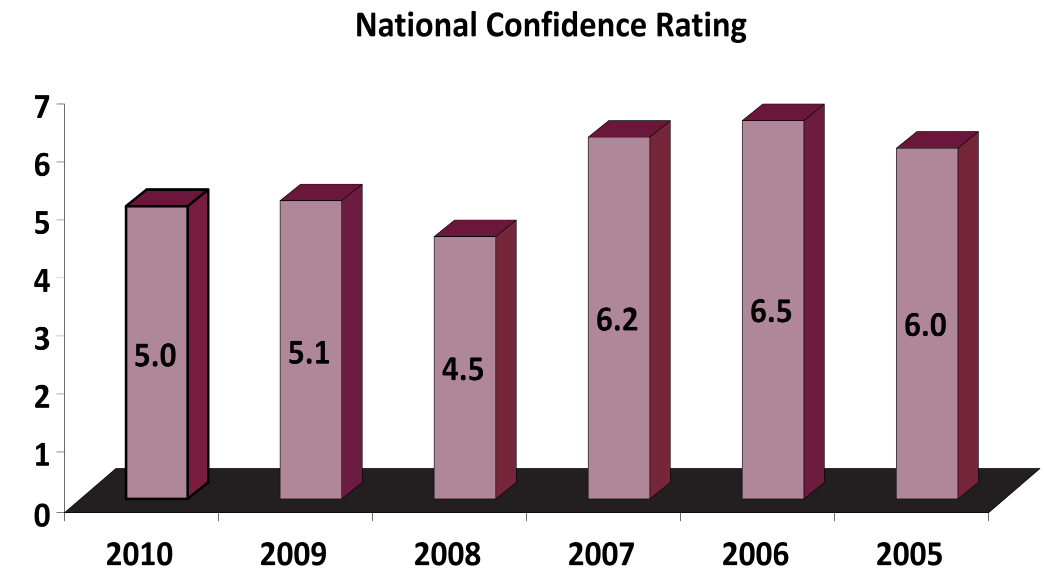


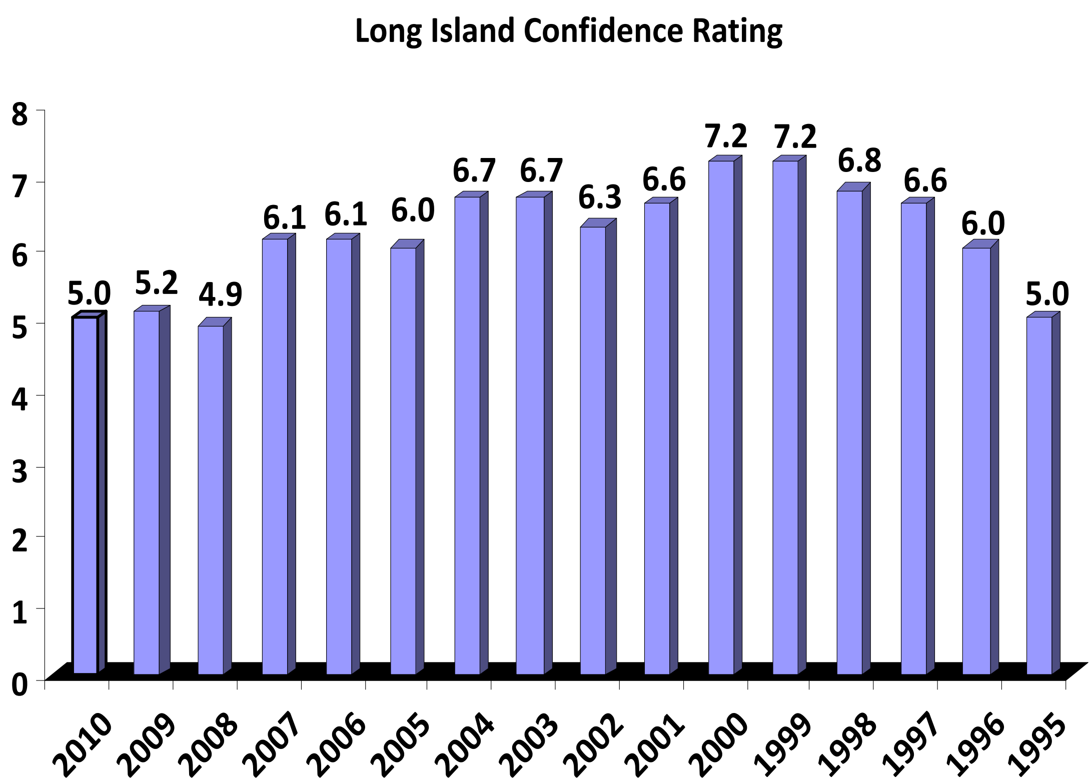
Economic Confidence

We asked "On a scale of 1-10 with 10 being the ***most*** confident, rate your confidence in the National economy and the Long Island economy".

This is our sixth consecutive year where we measured the National economic confidence rating. Our results show confidence on a National level dropped slightly from 5.1 to 5.0.

Confidence in the Long Island economy also dropped from 5.2 to 5.0 (the same confidence rating as 15 years ago in 1995); up just one tenth of a point from our all time low of 4.9 in 2008.



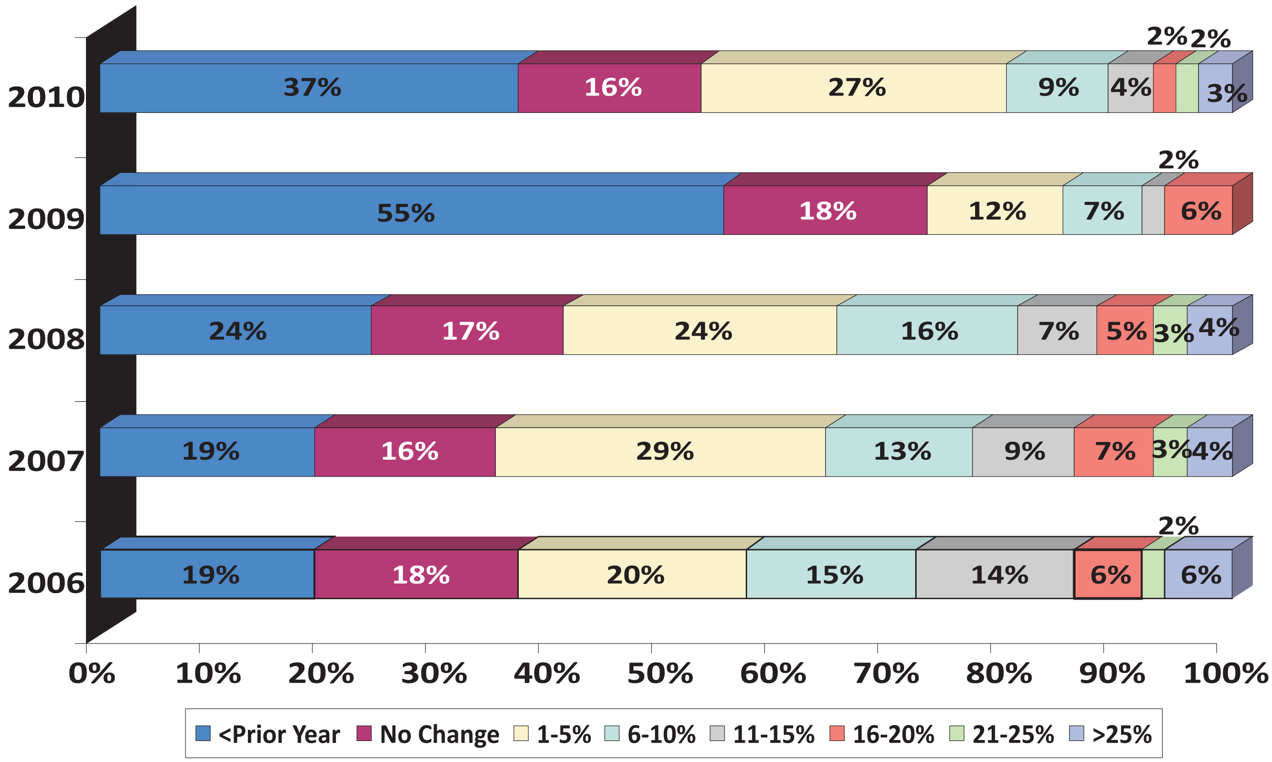


Revenue

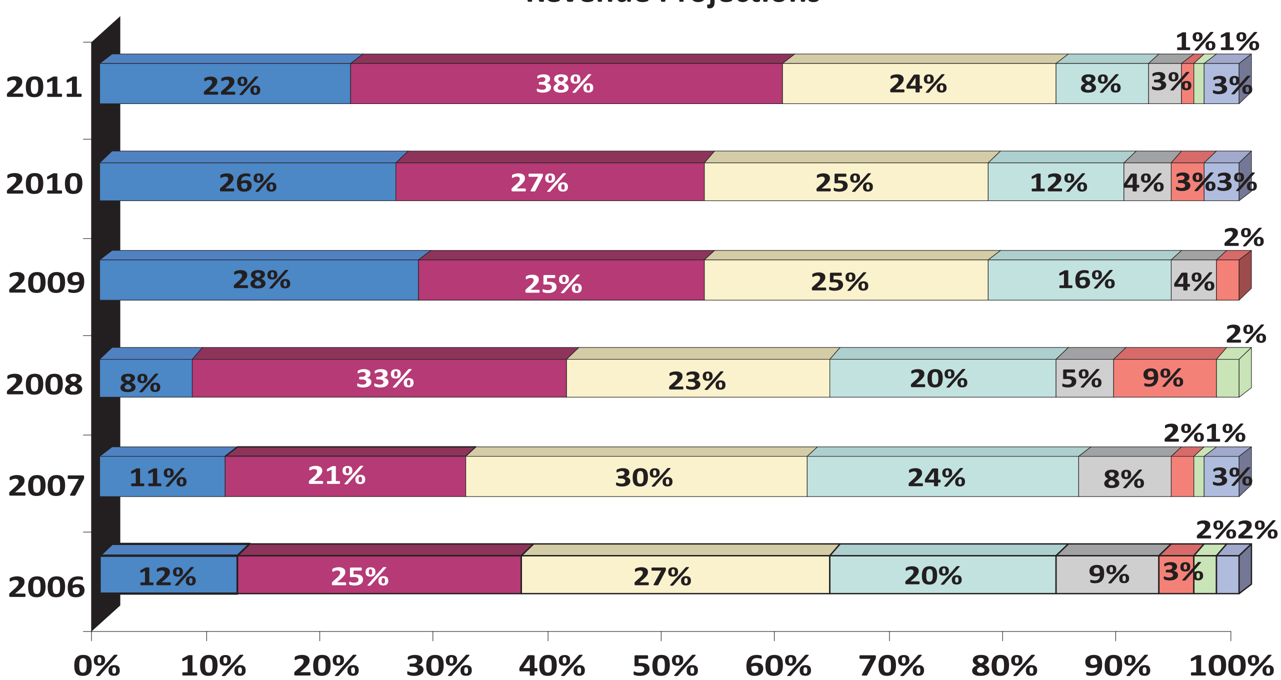
Approximately 37% of respondents reported actual 2010 revenue to be less than 2009, while 27% reported an increase of one to five percent. Surprisingly 20% reported revenue growth in excess of five percent.

No revenue growth is projected by 38% of respondents for 2011, with 22% anticipating less revenue than 2010 and 40% forecasting an increase in revenue.

Actual Revenue Growth

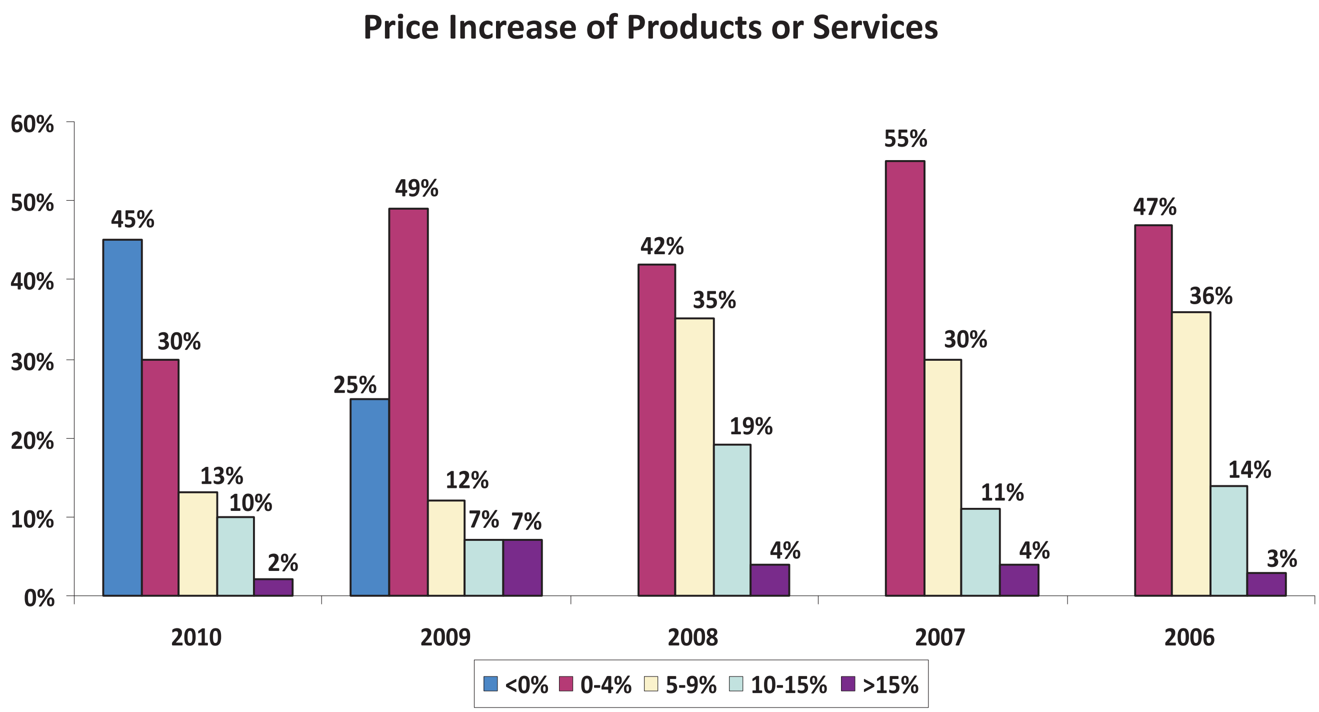


Revenue Projections

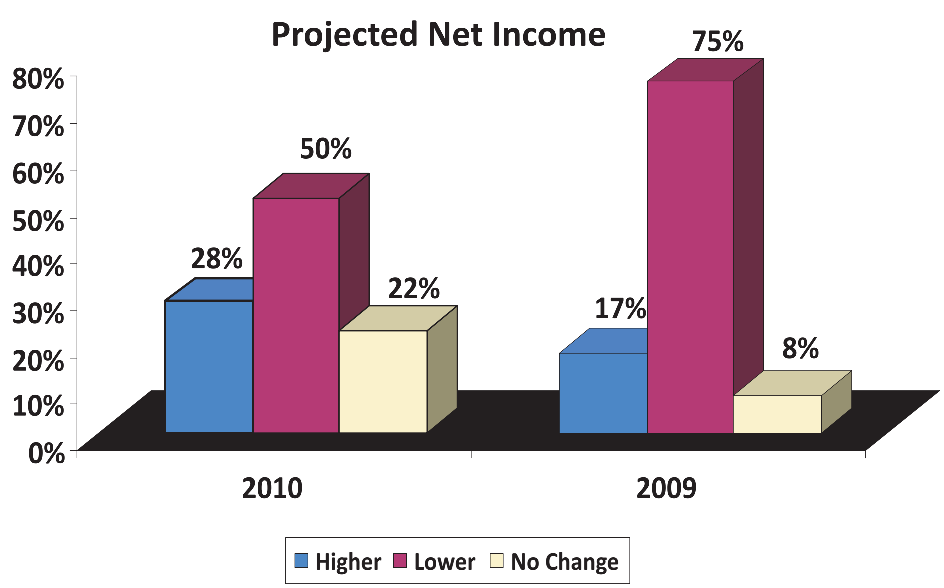


Prices and Profits

For the most part in 2010, the Long Island economy experienced a reduction in prices; 45% of respondents decreased prices and 30% increased prices only slightly (price increase of less than four percent).



Half of the respondents (50%) project 2010 net income to be lower than 2009 as compared with 75% of respondents last year. On a more optimistic note, 28% believe their net income will be higher in 2011 as compared to 17% in the prior year.

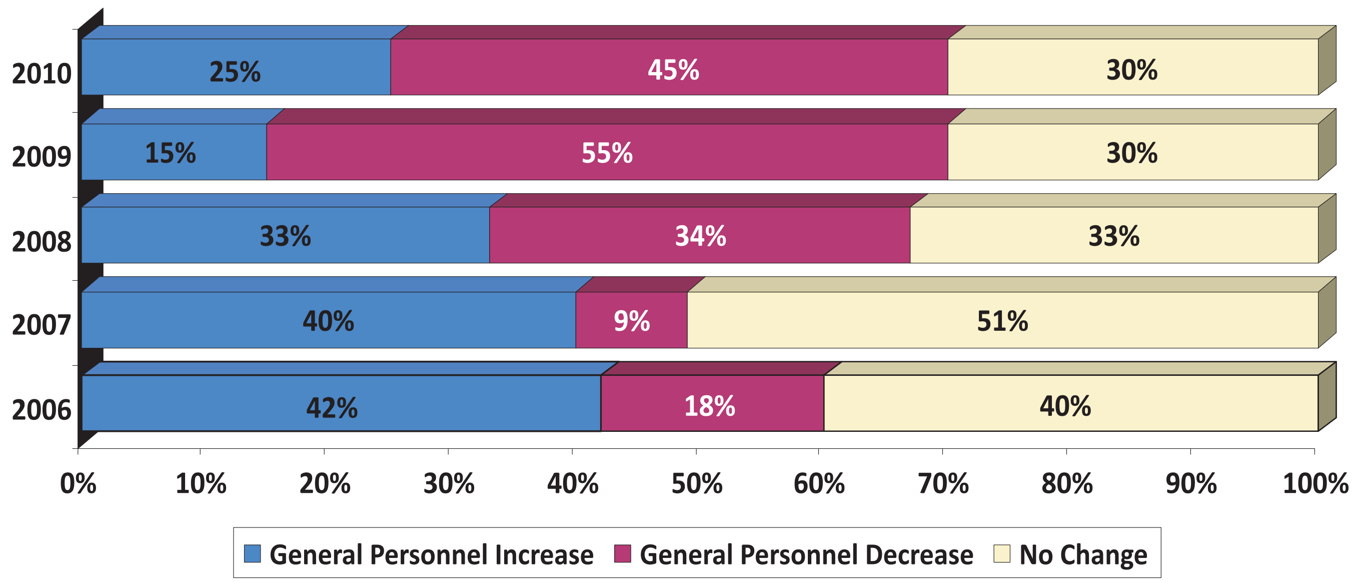


Employment Outlook

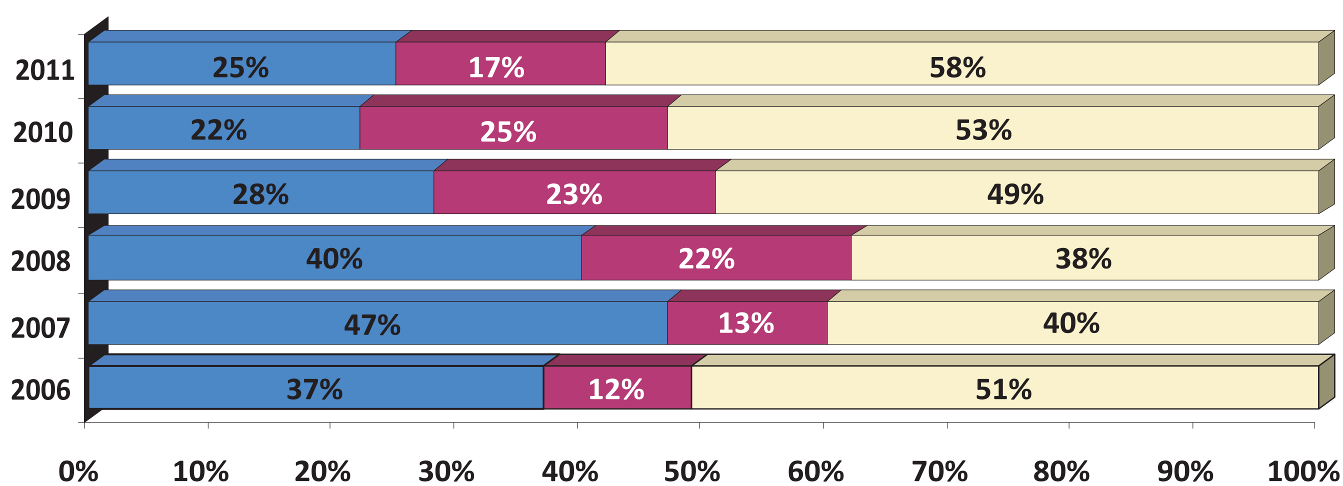
As compared to 55% last year, 45% of respondents indicated a decrease in their workforce during 2010; 25% increased headcount, and 30% had no change.

Headcount projections for 2011 indicate 58% are not planning on hiring additional employees as compared to 53% a year ago. The number of respondents planning on increasing headcount (25%) outnumbers those who plan to decrease headcount (17%) in 2011.

Actual Changes to Headcount



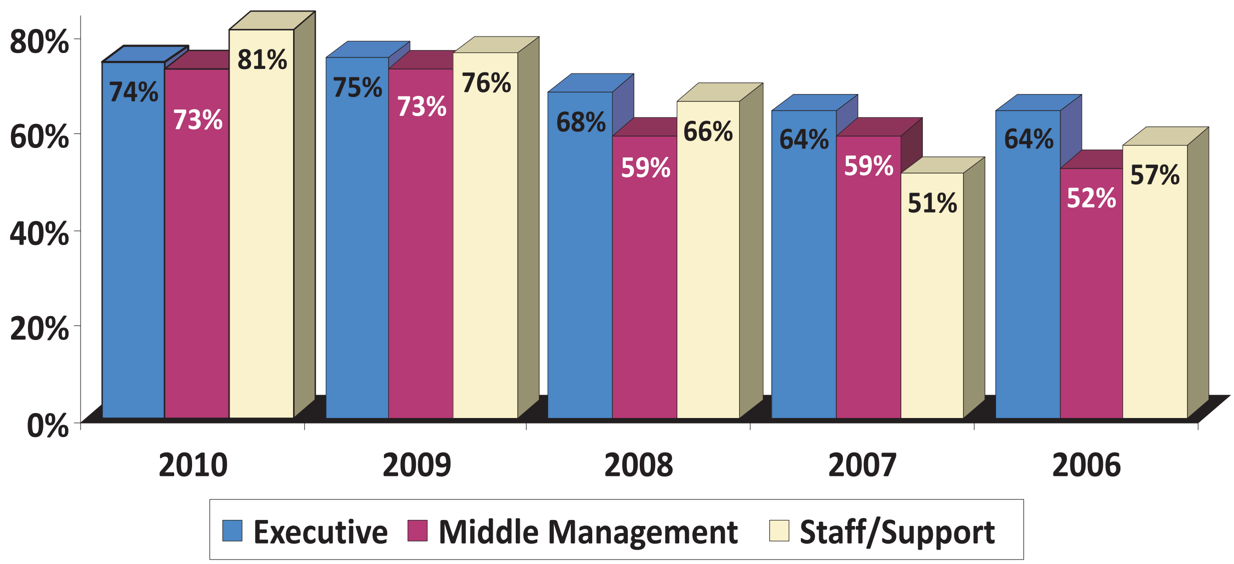
Headcount Plans



Employment Outlook

An overwhelming majority of respondents said that they are finding skilled workers at all employment levels in 2010 (i.e. Executive, Middle Management and Support Staff). The largest increase is in the support staff level at 81% vs. 76% last year.

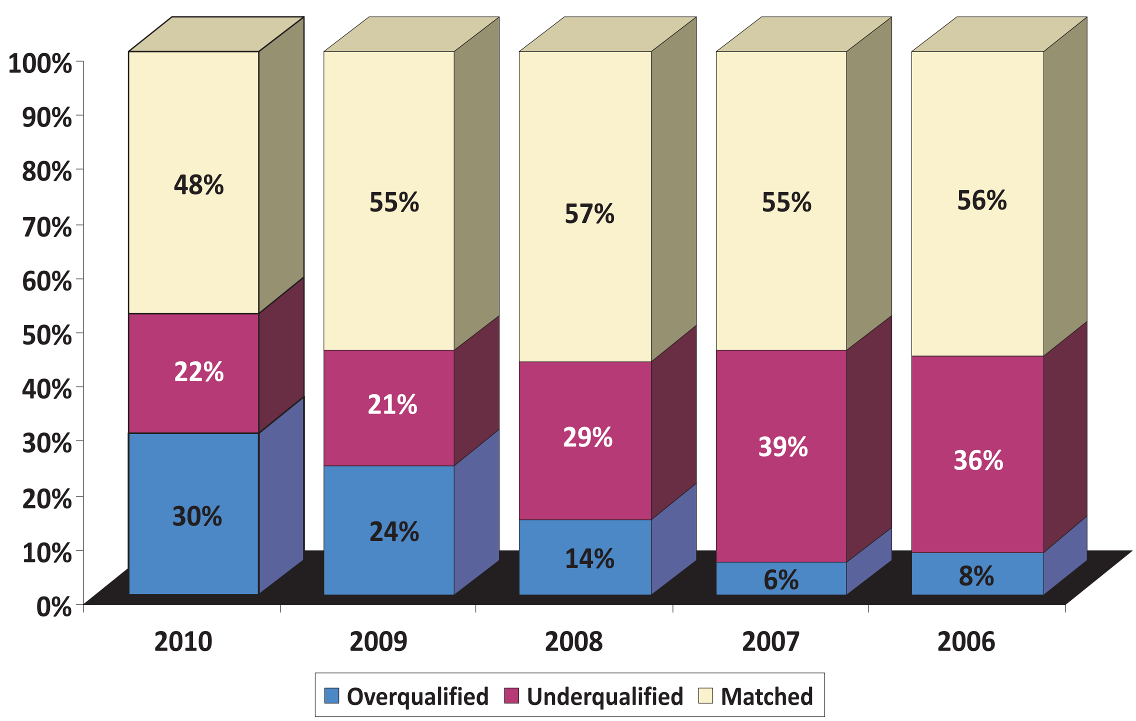
Are you finding an adequate supply of workers on Long Island?



There is an increase from 24% in 2009 to 30% in 2010 of respondents believing that the available workforce is overqualified.

Down from 55% last year, 48% of respondents believe that in 2010 they have experienced a match between workforce quality and jobs available.

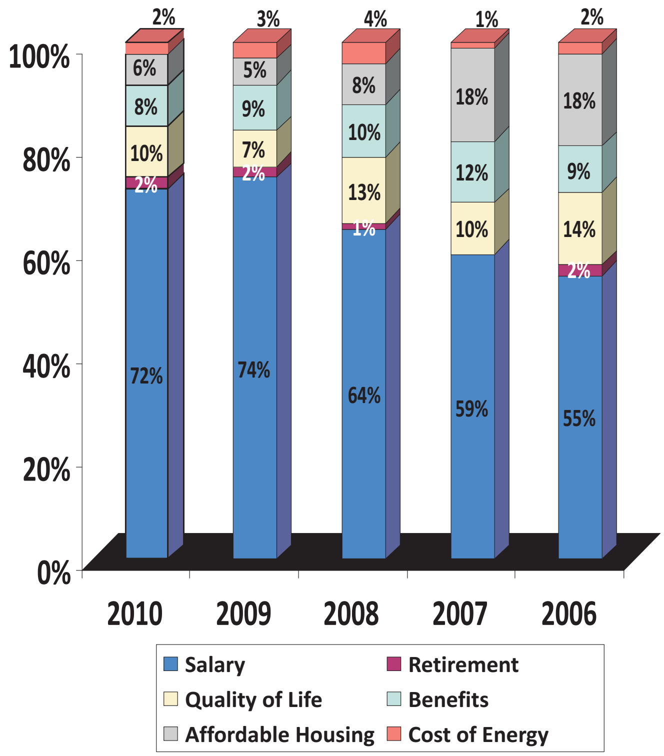
How would you rate the quality of the Long Island workforce vs. the jobs available?



Employee Concerns

Salary continues to be the number one concern to respondents (72%); this represents a slight drop of 2% from the prior year. Quality of life came in at 10%, back once again to double digit levels as we have seen for each year except 2009.

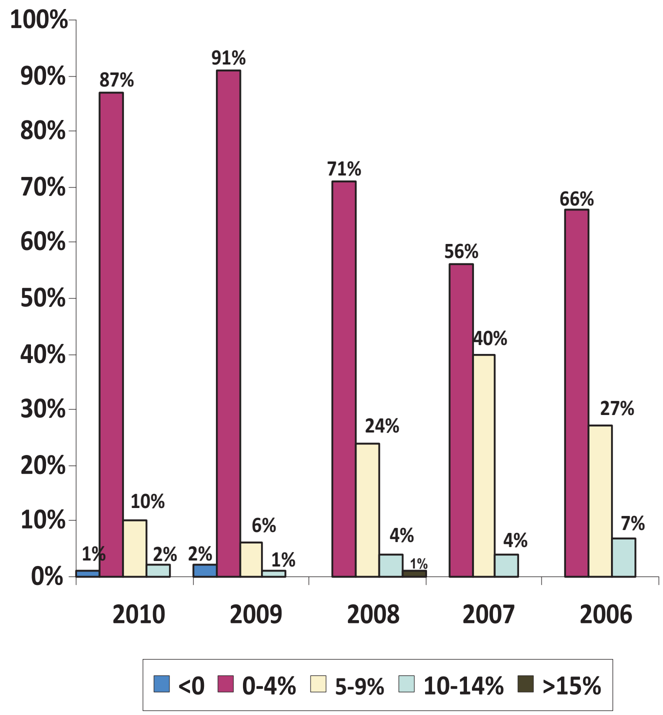
What issues do you feel are of the most concern to your employees?



Annual Raise

This year there was a drop to 87% (vs. 91% a year ago) in annual raises in the zero to four percent range. Respondents with employees who received raises of between five and nine percent increased from 6% in 2009 to 10% in 2010.

During the past 12 months, what was the average annual raise granted to your employees?

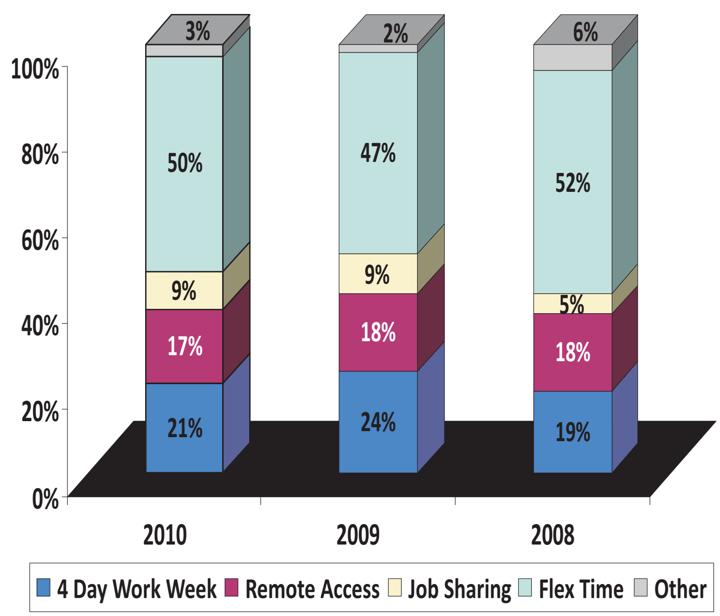


Flexible Work Arrangements

Almost two-thirds (62%) of businesses offer one or more flexible work arrangement options, up from 57% a year ago.

Flex time remains the most popular initiative (50%), with four day work week (21%) and remote access (17%) rounding out the top three choices.

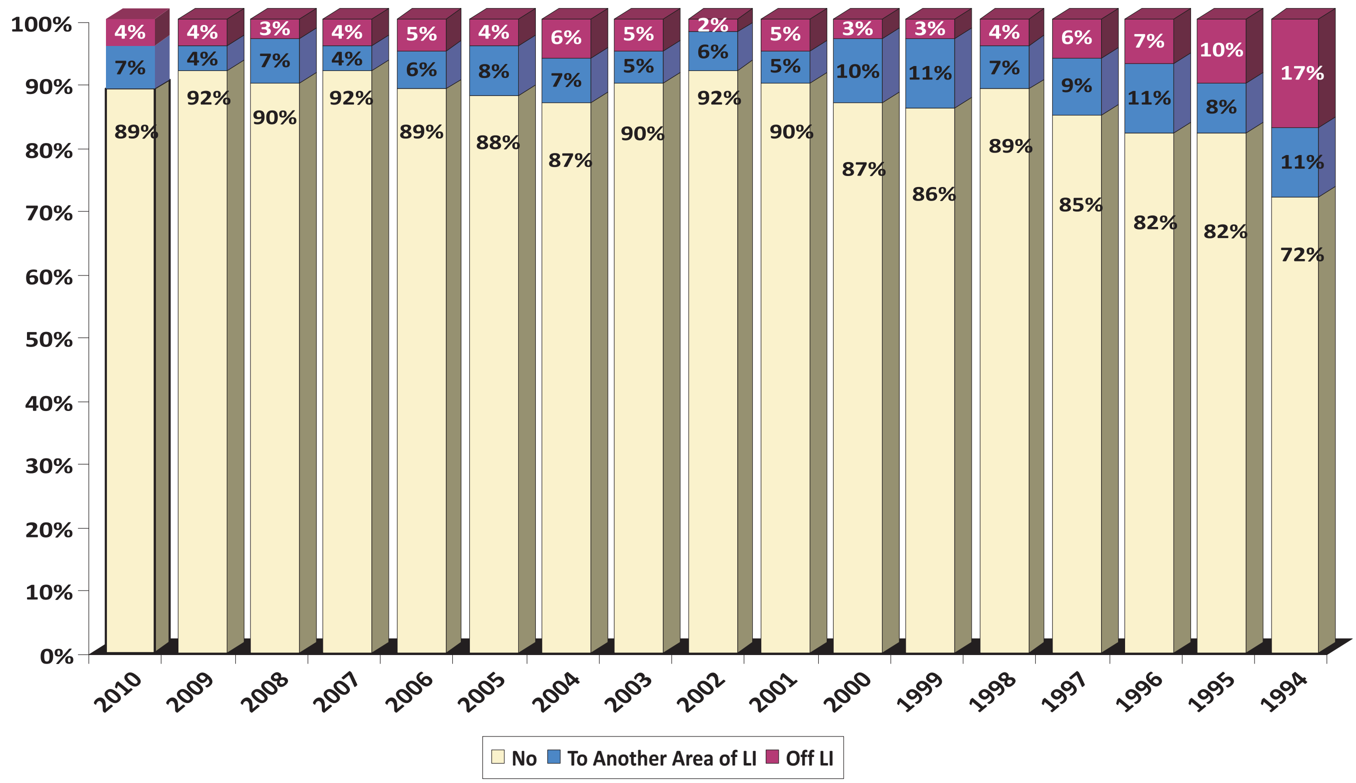
Which of the following flexible work arrangements do you provide?



Relocation

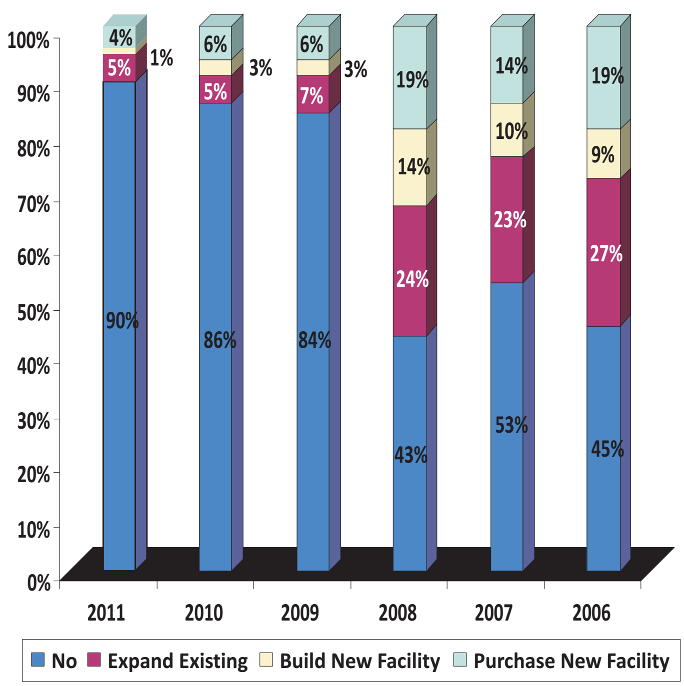
The respondents apparently find value in having their businesses located on Long Island. The results show an overwhelming 96% will either stay in their current location or move to another facility on Long Island.

Relocation of Operations



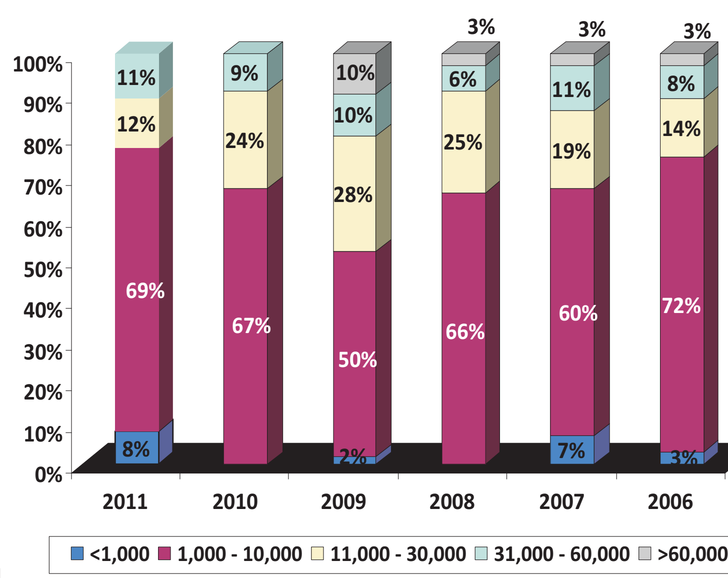
Facility Expansion

Respondents not planning any facility expansion have hit an historical high of 90%.



Square Footage of Expansion

Of those business owners who are planning to expand facilities, 69% will add 1,000 to 10,000 square feet of space. Those adding less than 1,000 feet of space climbed to 8% from zero last year.

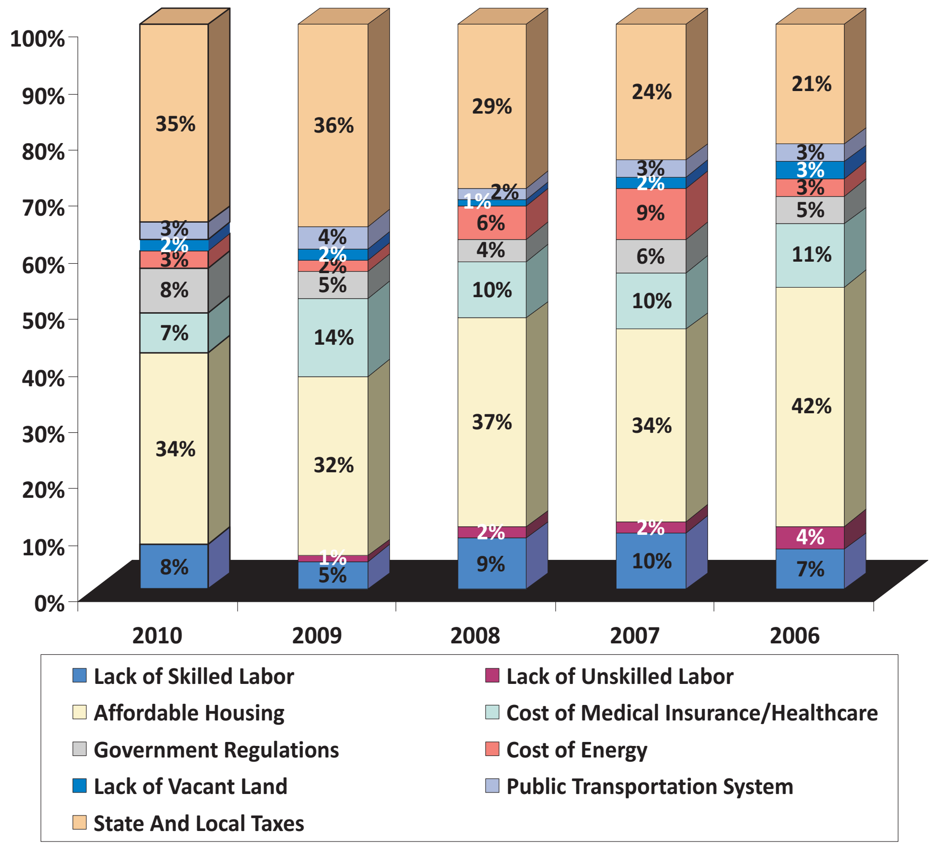


Obstacles and Opportunities

Economic Impediments

State and local taxes and affordable housing continue to be the clear obstacles to economic success according to our respondents at 35% and 34%, respectively. Government regulations came in at 8% which represents the highest rating in the last five years. Surprisingly the cost of medical insurance dropped to 7% vs. 14% a year ago.

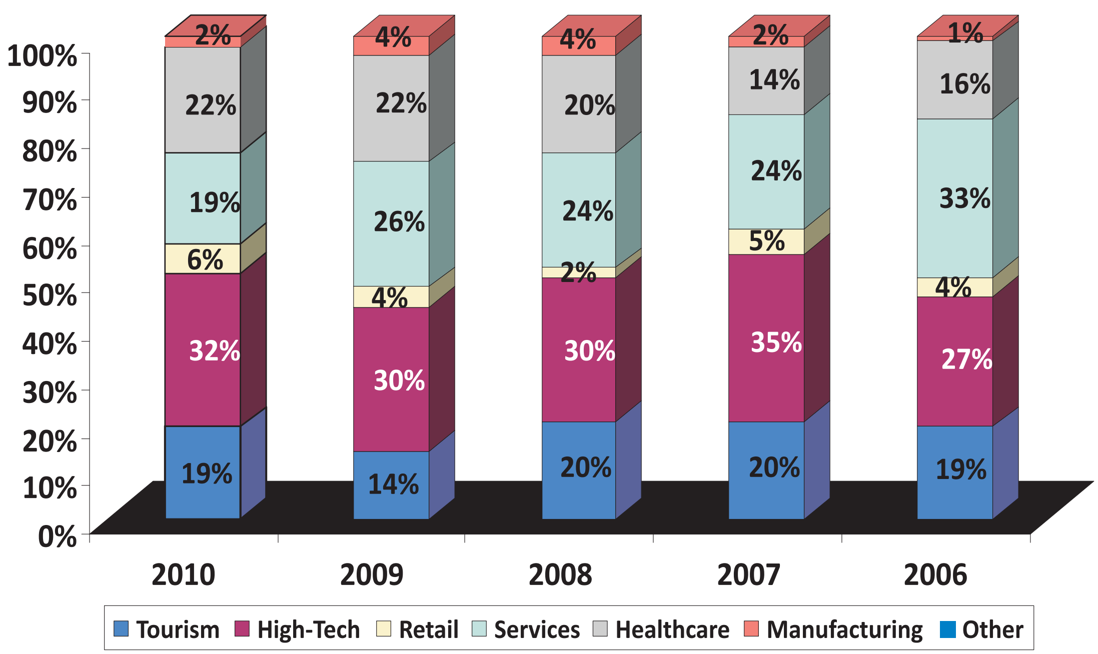
What is the greatest obstacle Long Island faces in achieving greater economic success?



Growth Industries

High Tech is once again the clear leader in top growth industries as reported by 32% of the respondents. Healthcare comes in second at 22%, with a third place tie at 19% between Tourism and Services.

Which industry has the most potential for growth on Long Island?

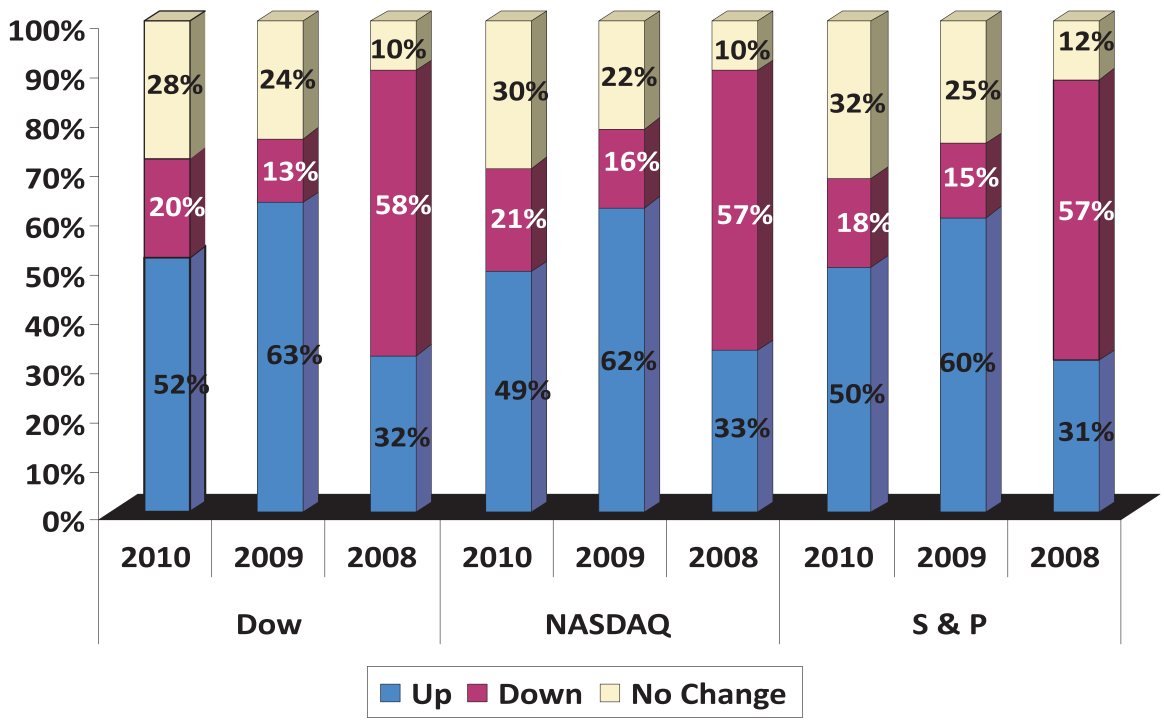


Economic Indicators

Market Indices

Approximately 80% of respondents anticipate stock market indices will either increase or remain the same in the coming year.

Where do you think the stock market indices will go over the coming year?

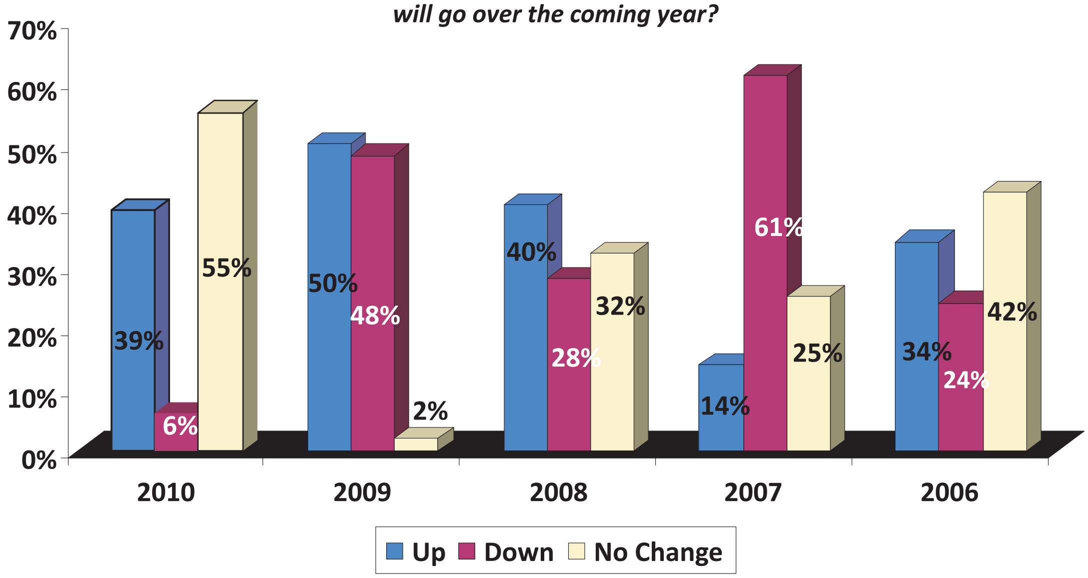


Interest Rates

In a dramatic shift from one year ago, only 6% of respondents believe that interest rates will go down, as compared with 48% in 2009;

55% believe that short term interest rates will be stable as compared with only 2% last year.

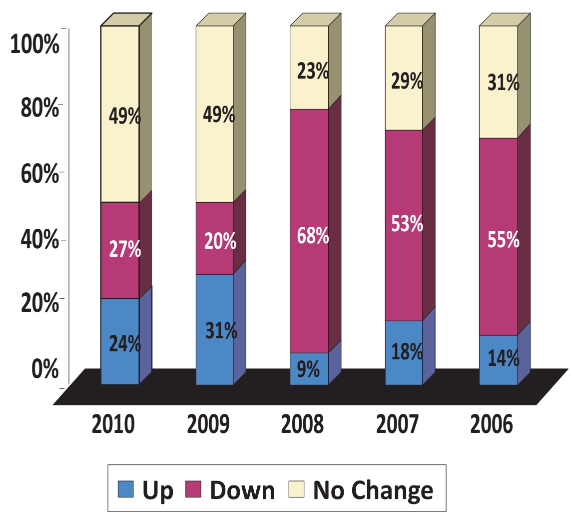
Where do you think short term interest rates will go over the coming year?



Residential Real Estate

There continues to be a tremendous amount of uncertainty about the real estate market. Identical to last year, almost half (49%) of the respondents still believe that prices will remain the same. In a surprising shift, 24% (vs. 31% a year ago) believe prices will go up; 27% (vs. 20% a year ago) believe prices will go down.

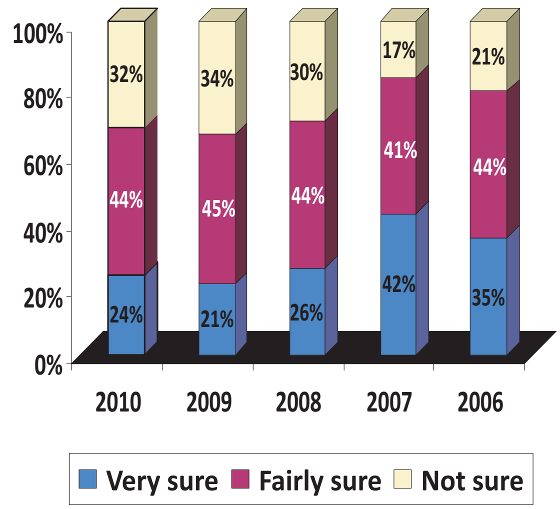
Where do you think residential real estate prices on Long Island will go in the coming year?



Retirement Confidence

On a surprising note, given the overall economic confidence rating, 24% of respondents feel very sure they are prepared for retirement which is a slight improvement over 2009 results. Those who are not sure about retirement security dropped from 34% to 32%.

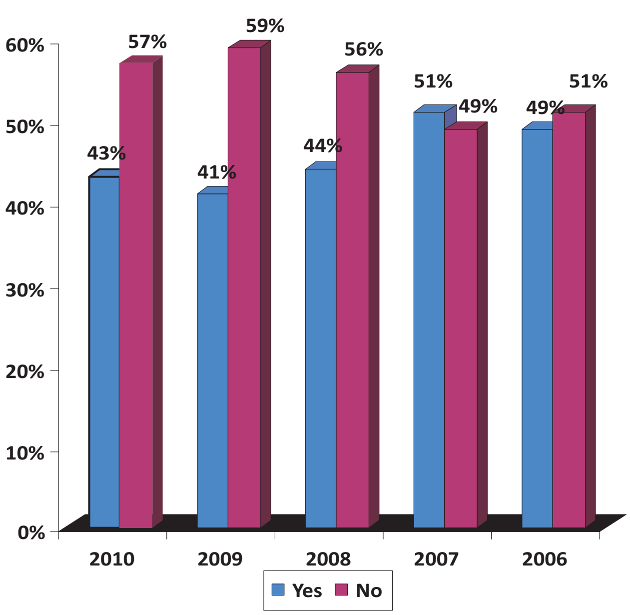
How sure are you that you will be adequately prepared financially for retirement?



Retirement Relocation

This year the number of people planning to relocate upon retirement grew slightly to 43% from 41% last year. Of those planning to relocate, 86% say they will move off Long Island, which is down only marginally from 87% a year ago.

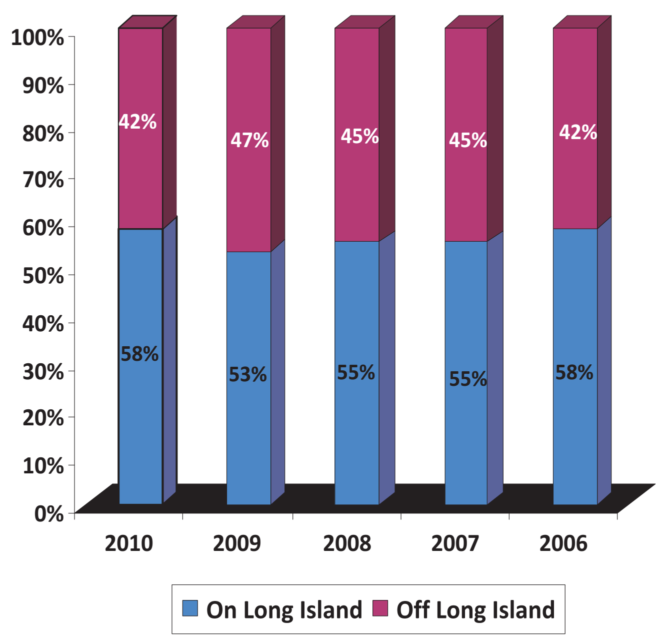
Do you plan to relocate your primary residence upon retirement?



Moving Back Home

Respondents who have offspring living and working on Long Island jumped noticeably to 58% for 2010 vs. 53% in 2009.

How many of your adult children live and work on/off Long Island?



Infrastructure

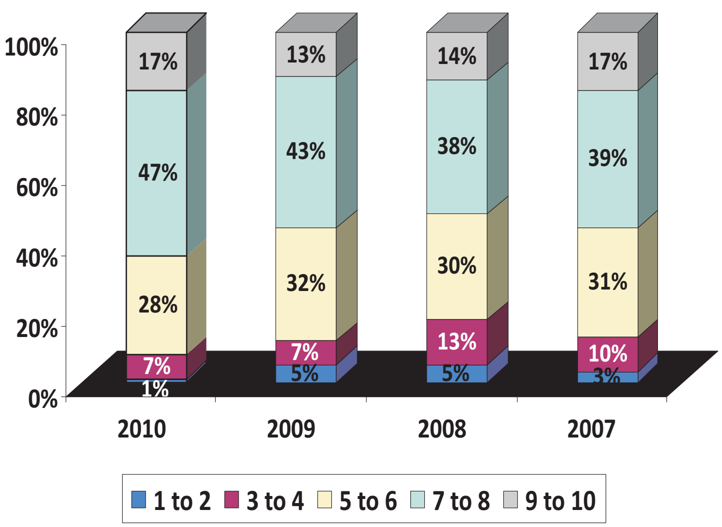
Tourist Destination

Long Island continues to evolve as a tourist destination with some of the most beautiful beaches in the world, hot spots like the east end and endless entertainment attractions; 64% of respondents gave it a ranking of seven or higher; up from 56% last year.

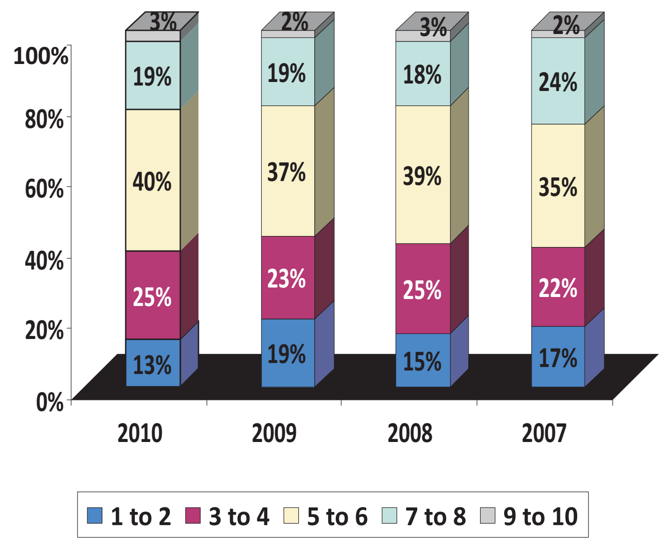
Transportation Infrastructure

Long Island's transportation infrastructure ranks at approximately the same level as last year. A large majority of respondents (78%) rank the quality of our system at a six or below.

On a scale of 1 - 10, with 10 being the highest, rate Long Island as a tourist destination.



On a scale of 1 - 10, with 10 being the highest, rate the quality of Long Island's transportation infrastructure.

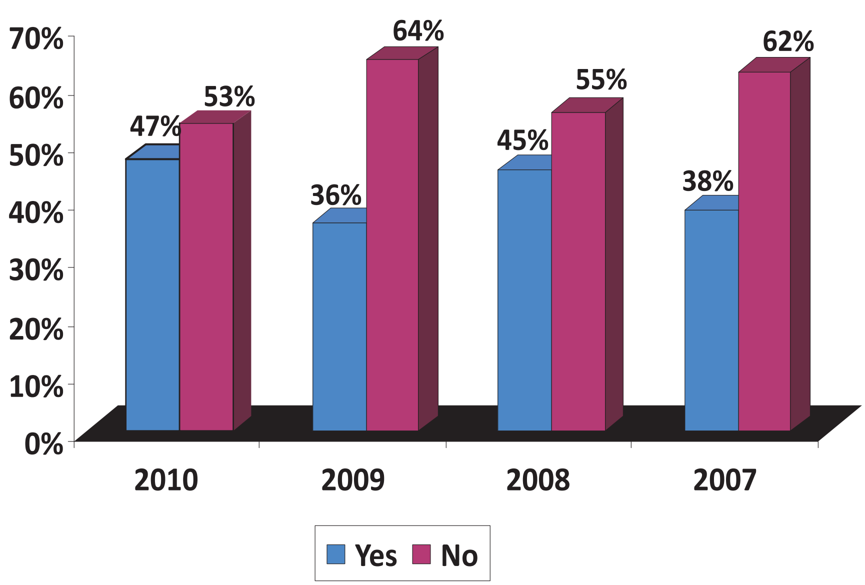


Disaster Planning

Reaching an all time high, 47% of respondents now have a disaster recovery plan.

This is up dramatically from 2009 when only 36% of respondents engaged in disaster preparedness.

Does your company have a disaster preparedness/recovery plan?



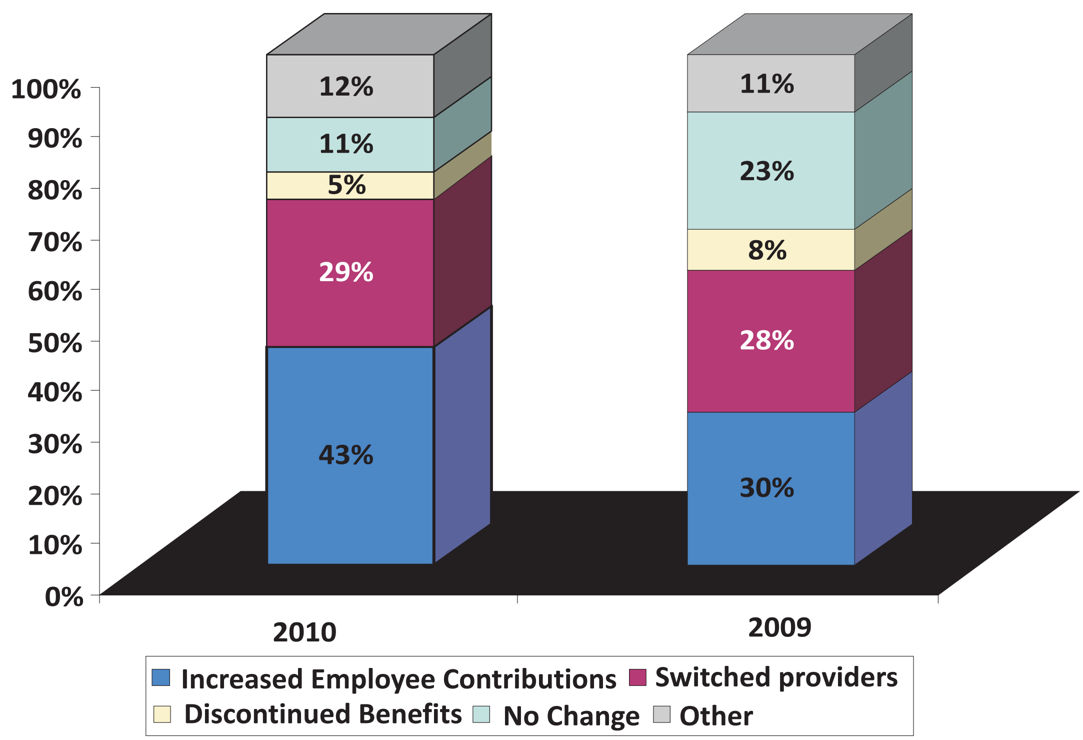
Current Events

Employee Healthcare Benefits

The rising cost of healthcare coverage continues to be a huge expense for both companies and employees. Increased employee contributions jumped noticeably from 30% in 2009 to 43% in 2010.

In 2009, 77% of respondents took some type of action when in came to employee healthcare benefit adjustments. This year that percentage has increased to an overwhelming 89%.

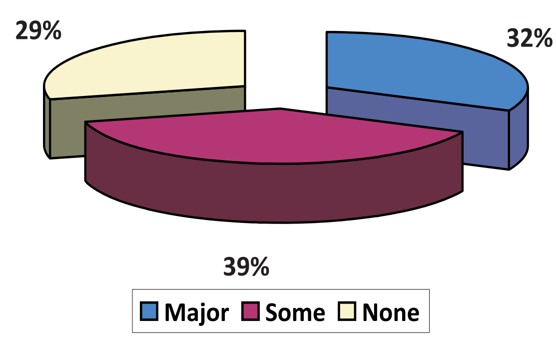
What actions has your company taken in response to rising health insurance costs?



Healthcare Reform Act

Despite the fact that many of the Healthcare Reform Act initiatives have yet to be completely implemented, 32% of respondents have already experienced a major impact as a result of this new legislation; 39% have seen some impact and 29% have not experienced any impact at all.

What impact has the Healthcare Reform Act had on your business?

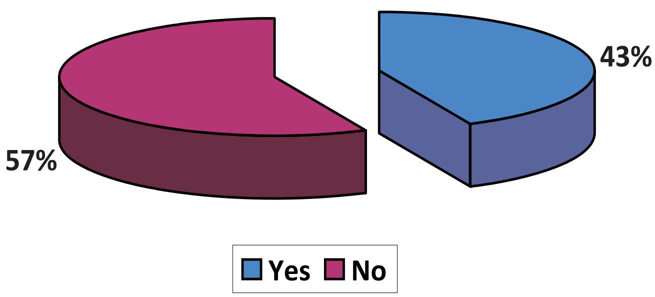


Current Events

Double Dip Recession

More than half (57%) of our respondents do not believe Long Island is headed toward a double dip recession.

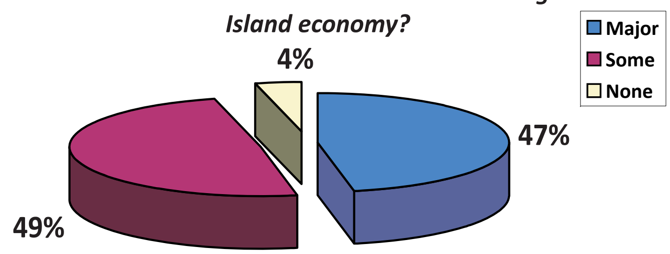
Do you think the Long Island Economy is headed for a double dip recession in the coming year?



Expiration of Tax Cuts

Expiration of the Bush Tax Cuts would have a major economic impact according to 47% of our respondents; while 49% believe it would have some impact, with only 4% believing there would be no impact whatsoever.

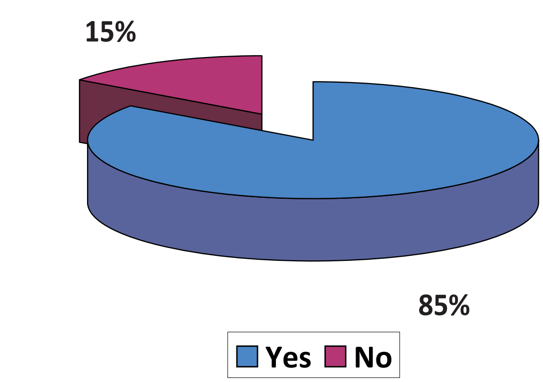
What impact do you think the expiration of the Bush Tax Cuts would have on the Long Island economy?



November Election Forecast

Confirming last month's results, an overwhelming majority (85%) predicted a major shakeup in political control of either the House or the Senate.

Do you see a major shakeup in the control of the U.S. Senate or the House of Representatives in the upcoming November elections?



Financing Agreements

Of those that have experienced a change in their financing agreements, reduced credit availability (36%), stricter loan covenants (31%) and increased monitoring (25%) accounts for the vast majority of the changes most commonly encountered.

What changes in financing agreements have you experienced?