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Business forecast 2009: Challenges ahead

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Local economic experts say the Rochester region's forecast for 2009 won't change much from 2008.

The area could see more job losses, less investments and a stagnant economy, according to several of the experts.

One key determining factor, they agreed, will be the state budget's ultimate effects on the area.

Center for Governmental Research

Dire economic concerns are beginning to ebb, according to Kent Gardner, president and chief economist of the Center for Governmental Research. He expects that will continue in the coming months: "I think that the collective blood pressure of the community, with respect to the economy, has come down."

"I think we're getting to the place where the chill is coming off, but at the same time we are very exposed to the national and international economies," he said.

Gardner expects 2009 will be a "year of caution."

People will plan spending and budgets very carefully, and spend less, he said.

Because the region is now less reliant on companies such as Eastman Kodak Co. and Xerox Corp. as its main employers, Rochester is better prepared to handle downturns, Gardner said.

"I think that one of the things that happens when your economy becomes as diversified as ours has become is that single events have a smaller impact," he said. "I don't see single things being unusually impactful."

He doesn't expect to see many new businesses opening up locally, however.

"This isn't a time when I think a lot of people are going to be risking their life savings on a new venture," he said.

More could be done at the local and state level to make New York more business friendly, Gardner said.

"I think if you're a very cost sensitive business, you're probably not going to start up in New York. ... At the same time, that's not an excuse to ignore costs and it's never an excuse to quit fighting that battle, and cutting taxes is hard."

Rochester Business Alliance

In the 2009 economic forecast issued Thursday by the Rochester Business Alliance, RBA President and CEO Sandy Parker called the region's outlook "mixed."

"I think people don't really expect any real change until well into the second half of the year," Parker said. "It's going to be a long year."

A top concern is the region's weakening manufacturing industry, which has lost 31 percent of jobs since 2000.

Due to those losses, however, companies are reconsidering and reshaping the ways in which they do business, finding new ways to operate and increasing efficiencies, Parker said. For the most part, the region's manufacturers are healthy financially, she said.

Two sectors to watch are education and health care, Parker said: "I think we're really looking at what's going to be the impact of some of the cuts on some of the health care institutions in the area."

The sectors have seen a great deal of job growth, she said, but "the cuts have the potential of curtailing that."

Parker said she expects the region will see a slight increase in its unemployment rate, which would increase much more if the education and health care industries suffer, she said. Both have helped Rochester to stay afloat in the last several years, she said.

RBA officials plan to push this year for property tax relief, which proponents say will keep residents living in Rochester and entice more to relocate here.

"I think one of the things that we will do is continue to do our work in Albany, primarily with Unshackle Upstate, to try to bring focus on the needs of Upstate and try to turn around the upstate economy," she said.

Rochester Black Business Association

The coming year will be a difficult one for Rochester, according to Patricia Mason, executive director of the Rochester Black Business Association.

"I'm optimistic that things will get better, but we definitely have some challenges ahead of us," she said.

For one, Mason foresees greater cuts in the local workforce. Those job losses, coupled with less money in the local economy, won't be good for Rochester, she said.

Mason, who works for The Community Place of Greater Rochester Inc. — a social and developmental services coordinator — said she's noticing another trend that doesn't bode well for the area: "Some of the larger corporations are kind of vying for the same dollars that community service organizations vie for, so those are some indications that things are a little tough," she said.

But there also are a few strengths the area will develop as a result of the economic crisis, Mason said.

"You see more organizations collaborate. Organizations are not trying to create the wheel because they may recognize this organization creates widgets better than they do."

That's something small businesses should be focusing more



Parker



Gardner

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Mason

energy on, she said.

The challenges small business owners face are more unique because they tend not to have the resources that larger corporations do. The RBBA in the coming year plans to focus on ensuring more small business owners understand emerging trends, and the skills they'll need to prosper, such as bringing in accountants who can provide savings tips during tax season.

"If [small businesses] look at ways to help one another, I think all businesses can be in a much better situation," Mason said. "We need to find ways to stick together and help each other, as opposed to just looking out for ourselves."

Greater Rochester Enterprise

Despite the economic downturn, Rochester is seeing a lot of interest from outside companies looking to expand or relocate here, according to Greater Rochester Enterprise Interim President Mark Peterson.

In 2007, Rochester had seven site visits from interested companies. In the last 75 days, the region has had 10, he said.

Ultimately, a company's decision to locate within the region comes down to the health of the economy, Peterson said.

"Clearly the economic challenges that the country and New York State specifically are going through will likely delay or make it more difficult for those projects to become a reality," he said.

Interest is high in alternative energy projects as well as in new ways for companies to partner with the area's colleges and universities, Peterson said.

The outcome "hinges upon New York State's ability to continue to offer economic development incentives to help to level the playing field and help to make them a competitive choice for businesses to expand," he said. "When you're in an environment that has heavy



Peterson

regulatory requirements and also has tax burdens, you need to level that playing field."

Small Business Council

Because Rochester didn't experience widespread growth as other parts of the country have in the last 20 years or so, local businesses don't have excess inventory and overhead, according to Philip Pecora, president of the Small Business Council of Rochester, an arm of the Rochester Business Alliance.

The area's small businesses, therefore, have been and will continue to be able to adjust to whatever difficulties that come their way, he said.

"In Rochester and Western New York, we're kind of used to swimming upstream," Pecora said. "We're kind of used to a little more challenging economic environment and we try to keep people prepared for those types of things."

The region has a number of community credit unions and banks that have been able to continue lending money, despite a tightening credit market nationally, said Pecora, who also is president of Genesee Regional Bank.

Because small businesses' exposure isn't as great as that of bigger companies, and small businesses don't have as large of a market share, they are able to see profit more easily, Pecora said. That's why prospecting and marketing efforts are even more important for small businesses, he said, a fact that will continue in the next year.

Local business owners are "very cautiously optimistic because there certainly is a trickle-down effect that will happen throughout the country," Pecora said. "If you're producing products for a company in the Carolinas who's not doing as well, that can result in lower revenues for you."

Any local weakness "will be muted compared to other parts of the country," however, Pecora said. "It's inevitable it will happen; hopefully the degree will be a lot less."

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Pecora