

Economic Outlook Survey Q3 2017

Business Optimism Remains Elevated Despite Legislative Gridlock

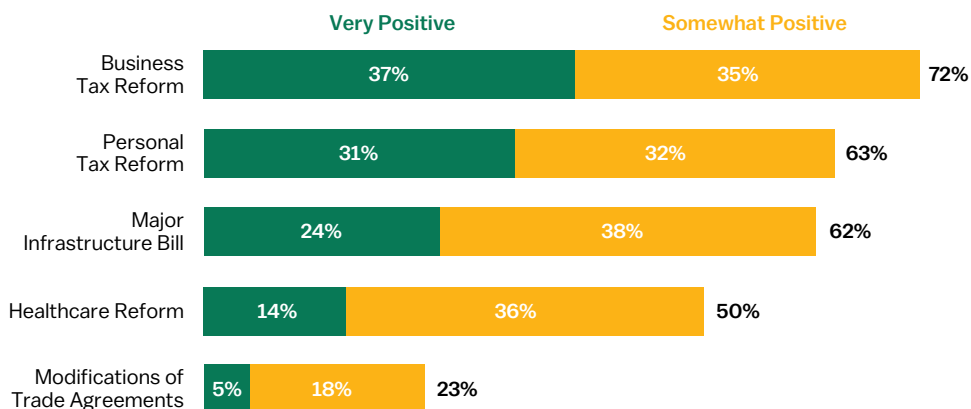
This quarter's survey results suggest that mid-sized companies remain relatively upbeat about the near-term economic outlook despite uncertainty tied to a lack of federal legislative progress.

- 50% of middle market firms expect the national economy to improve over the next six months, well above the 24% reading in Q3 2016 but trailing the 70% figure from Q1 of this year.
- On net, 34% of respondents plan to increase hiring, up from 25% twelve months earlier and 26% at the start of 2017.
- A net one-third (31%) of mid-size companies plan to increase capital spending, relatively unchanged from year-ago levels but down from the 42% cyclical high in Q1 2017. This pullback may reflect uncertainty with the near-term likelihood of federal tax reform as well as the pace of Federal Reserve interest rate hikes.

Most respondents are eager to see Congress take up business tax reform, with 72% expecting these efforts to have a positive impact on their business. Personal tax reform and infrastructure investment were also viewed as important priorities. Modification of existing trade agreements such as NAFTA were viewed more skeptically, with only 23% saying such policies would have a positive impact on their business.

All Respondents

If the following legislative changes are enacted within the next 12-18 months, what impact do you believe it will have on your business performance?



50%

of middle market firms expect the national economy to improve in the next six months

34%

of respondents plan to increase hiring

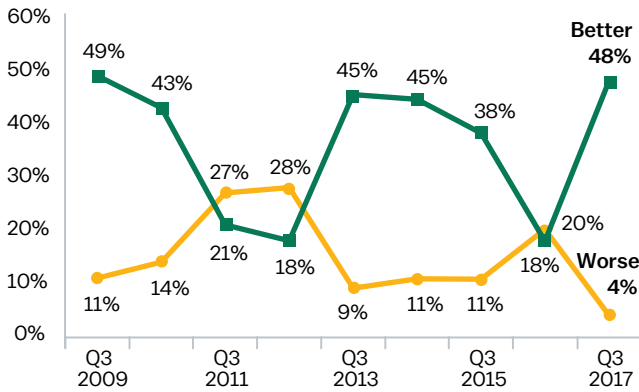
31%

expect to increase capex, while 45% expect to increase sales

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

MIDDLE MARKET COMPANIES

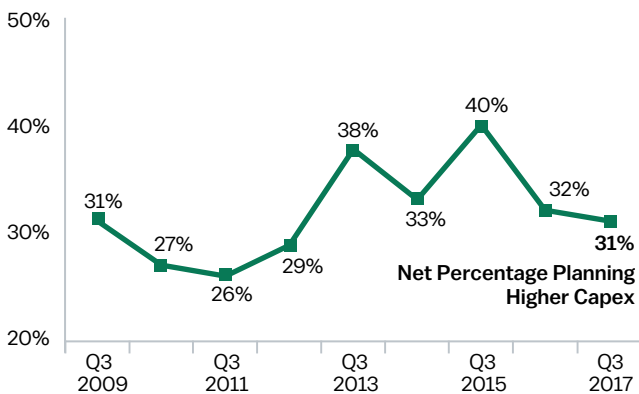
Economic Optimism Rebounds: Business sentiment has returned to the post-recession norm after the sharp pullback tied to pre-election uncertainty in 2016.



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

MIDDLE MARKET COMPANIES

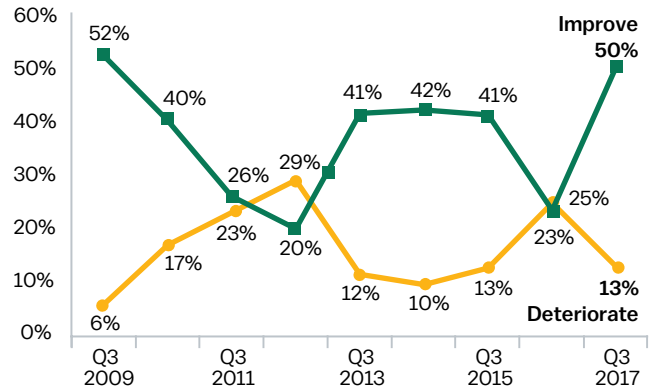
Capital Spending Plans Soften Slightly: Mid-sized firms may be delaying investment decisions until there is greater clarity on business tax reform and interest rate trends.



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

MIDDLE MARKET COMPANIES

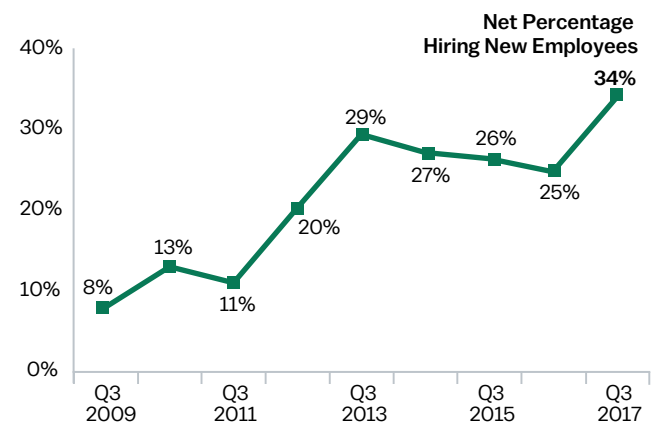
Businesses Expect Continued Growth: Most middle market firms expect the economic expansion to continue despite legislative gridlock in Washington.



What best describes your firm's employment plans over the next six months?

MIDDLE MARKET COMPANIES

Hiring Forecasts Reach Post-Recession High: A tightening labor market may force firms to raise wages to attract talent, especially for skilled employees.

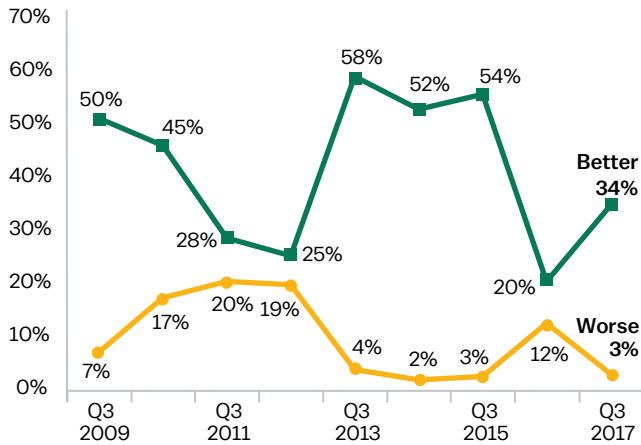


How would you rate the current state of the U.S. economy compared to six months ago?

COMMERCIAL REAL ESTATE

Commercial Real Estate Firms See Modest Improvement:

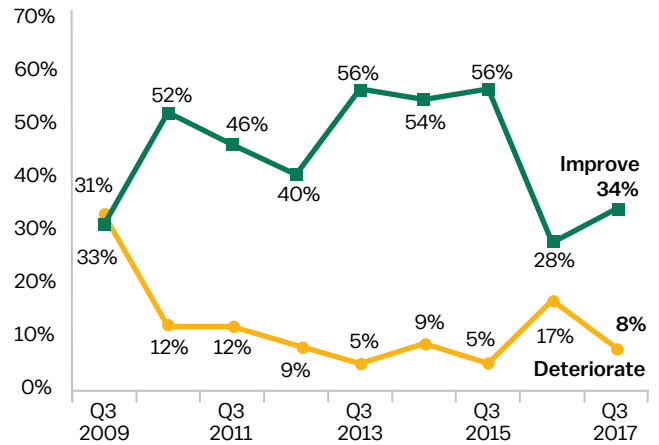
While middle market firms are far more optimistic than a year ago, CRE investors have relatively reserved readings on economic progress.



How do you expect the Commercial Real Estate industry to perform over the next six months?

COMMERCIAL REAL ESTATE

CRE Industry Growth Remains Tepid: Concerns about elevated property valuations in some markets appear to be weighing on industry sentiment.

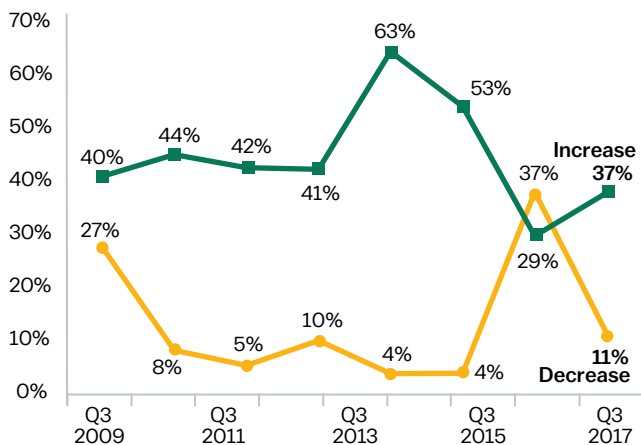


What are your expectations for the volume of commercial real estate transactions nationally over the next six months?

COMMERCIAL REAL ESTATE

Transaction Volume Remains Sluggish:

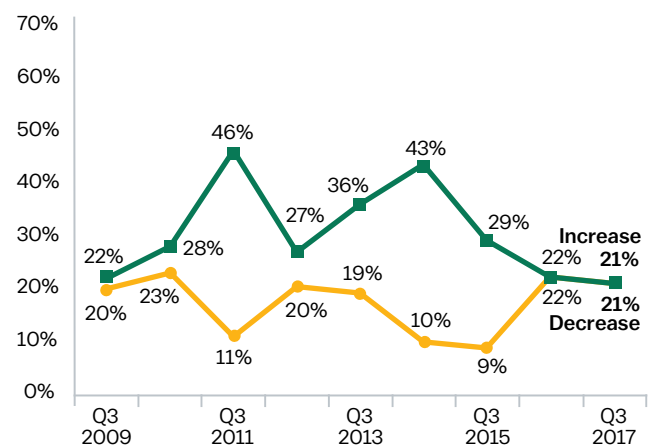
The outlook for near-term property sales remains well below the level of three years ago, reflecting rising investor cautiousness.



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

COMMERCIAL REAL ESTATE

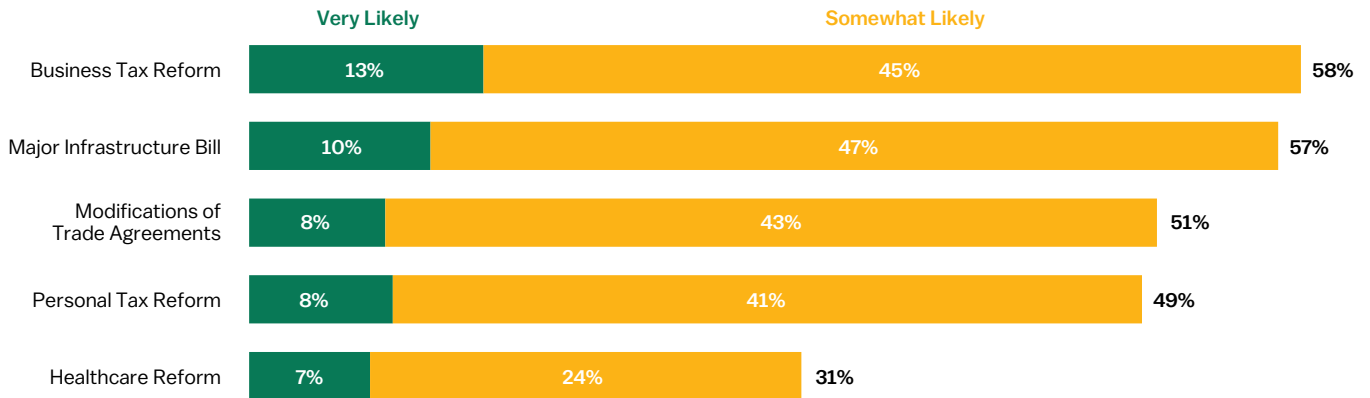
Occupancy Rates Largely Unchanged: A more cautious outlook for supply/demand fundamentals could reduce appetite for future development projects.



All Respondents

How likely do you feel the following federal legislative accomplishments will be achieved in the next 12-18 months?

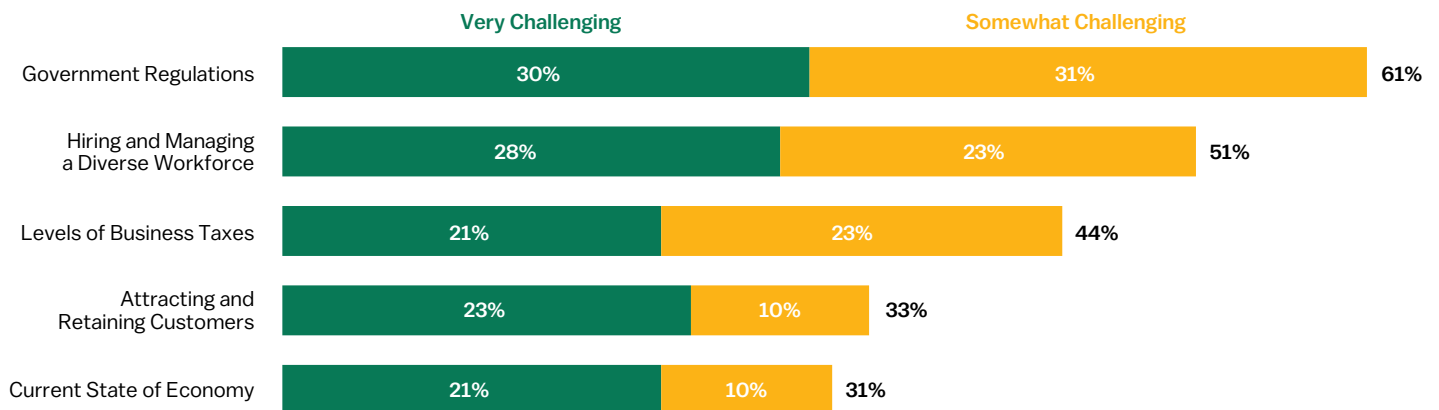
Respondents feel business tax reform and an infrastructure bill are most likely to pass Congress, while healthcare reform now appears to be relatively unlikely.



All Respondents

How challenging are the following items for your business today?

Government regulations are viewed by most as the biggest challenge facing businesses today, followed by workforce management and the level of taxation.



ABOUT M&T: M&T Bank is a multi-state community-focused bank serving New York, Maryland, New Jersey, Pennsylvania, Delaware, Connecticut, Virginia, West Virginia and Washington, D.C. Founded in 1856, M&T Bank provides banking, investment, insurance and mortgage financial services to consumer, business and government clients.

SURVEY METHODOLOGY: An Internet survey was conducted by M&T during December 2016 and January 2017 among senior managers and owners of mid-sized businesses located throughout the Bank's geographic footprint. A total of 240 responses were received, consisting of 202 Middle Market enterprises (annual sales \$10 million to \$500 million) and 38 Commercial Real Estate investors/lessors. M&T has conducted the survey since mid-2009.

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