



Article

A Time for Cautious Optimism

Information technology spending in the financial services industry continues to be negatively affected by the current recession. However, we at Gardner Resources believe there is reason for cautious optimism based on promised governmental reforms and the industry's reliance upon technology to remain competitive in a tough industry. Feedback from our clients and commentary from industry trackers also point to a moderate amount of optimism, though we are by no means out of the woods.

Opening the Door to Cautious Optimism

Even the mighty suffer cracks in the face of an earthquake and there's no question that the financial services industry in New England has suffered its share of fractures from the recession. Many local institutions are still recuperating from the free-fall of the past few quarters. To cope with the worst economic disaster in decades, area financial services companies drastically cut back on IT spending; reevaluated their technology investments and employment strategies; and reexamined the fundamentals of their business models and operations.

Signs for Cautious Optimism

The financial services industry has geared up, or more aptly, geared down for a bumpy ride through a distressed economic landscape. But beneath the barrage of negative economic news stories lie signs of a still fragile, yet slightly improving economy.

Some promising signs include a stabilizing housing market, rising consumer spending and a reduction in the rate of job losses. As of this writing, the Dow Jones Industrial Average has recovered from its lows but is still volatile. These indicators offer a spark of hope that we may be on the brink of a rebound, or at least at the end of massive job losses.

Two recent surveys of U.S. executives also support a reserved optimistic outlook. The information technology research company, Gartner Inc., conducted a [survey of 900 CIOs](#) to gauge the potential impact of macroeconomic concerns on IT budgets. Gartner reported that in the first quarter of 2009, CIOs experienced significant IT budget reductions but they expect the economy to recover between the first and third quarter of 2010. According to this research, CIOs plan "to increase IT investment projects and workforce levels as their first investments in such a recovery." Second, The Business Roundtable, an association of CEOs of some of the biggest U.S. companies, published their [June 2009 index report](#), which measures expectations of CEOs from among the nation's largest companies. The index detailed an improved business outlook compared to last quarter, although many CEOs still expect declines in sales, U.S. employment and capital spending.

The government's economic stimulus package is slowly making its way to local governments where it is supposed to save or create about 3.5 million jobs. Late last month, President Obama vowed to speed up the outflow of funds, adding to the prospect that we'll see some moderate turnaround. Benjamin Bernanke, Chairman of the U.S. Federal Reserve recently predicted that the recession will end later this year. In fact, in late June, Federal Reserve policymakers were considering whether some programs intended to drive down rates on mortgages and other consumer debt should be slowed down in response to improving economic indicators.

Our experiences here at Gardner Resources Consulting echo the findings mentioned above. Our financial services clients report very little hiring right now and sporadic layoffs do continue. On the upside, however, large scale layoffs have stopped and managers are beginning to express some optimism about the later part of this year and beginning of 2010.

Information Technology is Pivotal for Financial Services Turnaround

Information technology (IT) is vital if financial services companies are to weather, and eventually prosper, from the economic crisis. Aside from being the backbone for operations, financial services companies depend on IT to provide a competitive advantage and meet ever changing regulatory requirements. Financial institutions also recognize that their IT personnel are the most crucial and valuable component of their IT strategy. Though budgets have been constricted by economic pressures, companies in the financial services sector continue to invest in IT and personnel for mission critical projects.

Location, Location, Location

It is also worth noting that while New England has not been untouched by national trends, we do have our own complex, local economy. We have not been immune to the economic downturn, but in comparison to other parts of the country, we have felt relatively modest effects and our financial institutions are positioned to move sooner rather than later toward recovery.

Beware the Crystal Ball

Crystal balls can be cloudy, especially when it comes to economic predictions. We recognize that the slight signs of easing in the economy's decline may be followed by another slump. Unquestionably, a lot of uncertainty remains, but we will continue to watch developments closely and keep you updated.