

Dallas Mid-Size Business Leaders Optimistic about Sales, Profits and Hiring

ANALYSIS BY
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Our fall 2017 survey shows that mid-sized business owners in Dallas are highly optimistic about the prospects for their own businesses and the U.S. economy.

The Dallas area will remain one of the nation's fastest-growing economies throughout the year. The strength of Dallas' economic trends is translating well into household wealth and value creation. If the Trump administration delivers on promises of tax reform, lower regulation and infrastructure spending, Dallas will add well-balanced gains to incomes and household wealth. Solid household balance sheets mean positive trends can be maintained, and national economic hurdles can be overcome by leaning on a cushion of locally-based business confidence and consumer sentiment.

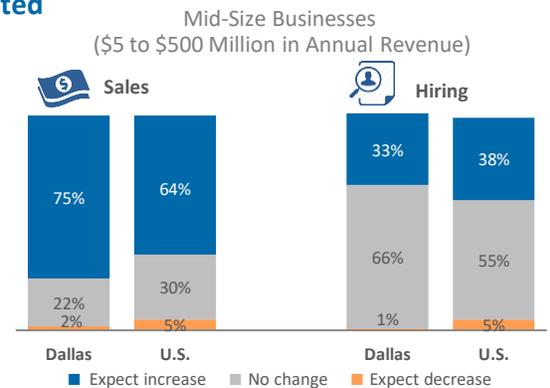
Continued near-term economic growth, combined with further improvement in the labor market and a pickup in inflation, will support additional increases in the federal funds rate from the Federal Open Market Committee at the end of 2017 and in 2018.

KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

Sales, Profit and Hiring Increases Anticipated

More than seven in 10 Dallas mid-sized business owners and leaders anticipate increases in sales (75%) and profits (71%) during the next six months, more than similar-sized business expectations nationally.

Hiring expectations are positive in Dallas. One-third expect to increase the number of full-time employees, slightly less than the 38% of mid-sized businesses nationwide expecting to do so. Owners cite business growth and investment as drivers of staffing growth.

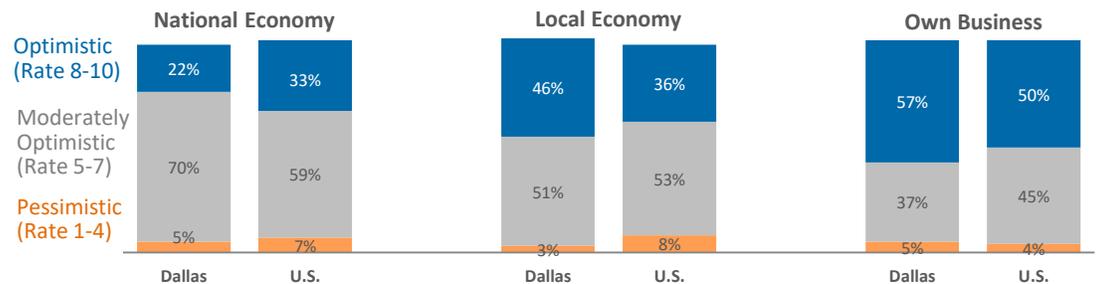


Three in 10 (29%) expect to increase prices charged to customers and two-thirds (66%) expect no change, similar to expectations nationally (31% increase, 62% no change). Nearly four in 10 (38%) expect to increase capital spending expectations, comparable to expectations nationally (36% expect increases).

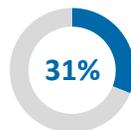
The Power of Positive Thinking

Dallas business leaders are optimistic about the national and local economy, as well as their own business for the next six months. While most are at least moderately optimistic, the number highly optimistic about the national economy is lower than the 33% nationally. When it comes to the local economy and their own business, however, the number highly optimistic in Dallas is above the total nationally.

% Optimistic about the... Mid-Size Businesses (\$5 to \$500 Million in Annual Revenue)



The Tenacity of Hope: Accompanying these moderated expectations for the U.S. economy, more than half (56%) of Dallas respondents expressed hope about the business climate, with another 27% feeling enthusiastic; similar to results nationwide. The number feeling fear or anger is the single digits.



Certainly Uncertain About Policy: Three in 10 (31%) expect major policy changes from the new administration and Congress within the next six months that will affect their business, while 31% say none are expected and 38% are unsure. One-quarter say they expect the policies of the new administration and Congress to have a positive impact on their business during the next year if they were to go into effect. Only 2% anticipate a negative impact, while 58% are unsure and 15% anticipate no effect. Dallas business leaders have more uncertainty than similar-sized businesses nationally where 18% are unsure of whether they will see changes and 41% are unsure of the impact.

Under Pressure: Three in 10 (31%) survey respondents said it's harder to hire qualified employees in Dallas than it was six months to a year ago, compared to 34% of respondents responding similarly nationwide. Cited as the top challenges in hiring in Dallas were inadequate skills and experience (39%), overall lack of applicants (37%) and candidates requiring higher compensation than the business owner can afford (5%). When offered as a response for the first time in the survey's history, 6% cited issues with candidates' abilities to pass required controlled substance screening.

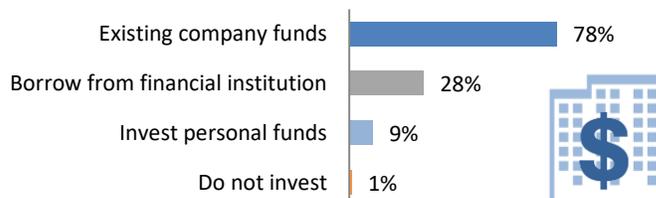
Wage Watchers: Nearly half (48%) of Dallas employers anticipate increasing employee compensation in the next six months, similar to the proportion who expect to do so nationally (45%). Among the half (52%) of respondents who do not anticipate increasing pay, most believe the compensation they provide is sufficient – either asserting that the current compensation level isn't affecting hiring or retention (41%), or that the pay is competitive for the industry (24%).

More Money, No Problems?

Fifteen percent of Dallas mid-sized business owners surveyed anticipate taking out a new loan or line of credit in the next six months, compared to 24% nationally. Most say that the prospect of rising interest rates will have little impact on their decision to get a loan or line of credit. At the same time, few (12%) expect their business' need for financing to increase in the next six months.

More than eight in 10 (83%) Dallas respondents report their business has taken out a loan at some point and one-quarter have done so in the last two years.

Main Source of Funding for Capital Investments



PNC Insight

Two in 10 business owners in Dallas-Fort Worth face a barrier when it comes to cyber security



One in 10 (11%) Dallas businesses reported being the victim of an information security breach, compared to 15% nationwide. Nearly all (98%) take at least one security measure. Dallas business leaders report taking action in several areas:

- 95% use antivirus and antispyware
- 89% use a firewall and encrypting information
- 88% work with banks or card processors to maintain anti-fraud services
- 78% protect all pages on public-facing websites, not just checkout and sign-up pages
- 77% educate employees about cybersecurity and hold them accountable

Waving the Red Flags

Out of 2.1 million phishing attacks in 2016, 81% were targeted at U.S. companies

Phishing attacks are just one type of cyber threat to businesses, designed to resemble legitimate email correspondence and relying on a user's inability to spot them in order to compromise computers and networks. Small and mid-size businesses have the added threat of phishing attacks designed to mimic vendors, couriers, suppliers, clients and colleagues. Employees can help to ensure that email coming from these third parties is legitimate. These seven red flags can alert users to a possible phishing attack:

- Misspellings
- Grammatical errors
- Offering fantastic prizes
- Creating a sense of urgency
- Requesting personally identifiable information (PII)
- Threatening with consequences
- Making demands



Email address spoofing also is a common tactic of phishing. For example, the user may not notice an email address has been changed from "@homelender.com" to "@home1ender.com" and may inadvertently click links and open attachments, which introduce malware.