

Minnesota 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 Minnesota are highly optimistic about the prospects for their own businesses and the U.S. economy.

Manufacturing, professional services, agriculture and small businesses are among the key sources of economic activity and employment in the region. The Minnesota economy will continue to grow at a moderate pace. The region continues to see stable employment and wage growth, as well as housing affordability, fueled by the economic stability led by mid-size businesses.

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.

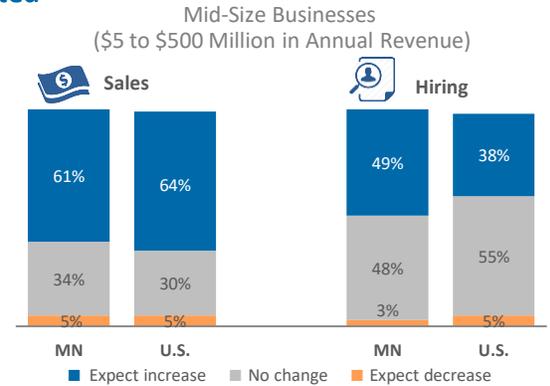
KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

Sales, Profit and Hiring Increases Anticipated

Six in 10 Minnesota mid-sized business owners and leaders anticipate increases in sales (61%) and profits (61%) during the next six months, comparable to similar-sized business expectations nationally.

Hiring expectations are extremely positive in Minnesota. Nearly half (49%) expect to increase the number of full-time employees, higher than the 38% of mid-sized businesses nationwide who expect to do so. Owners cite business growth and investment as drivers of staffing growth.

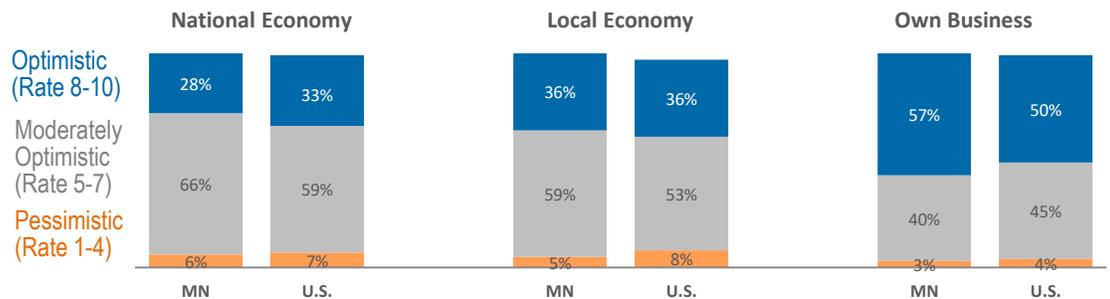
Three in 10 (31%) expect to increase prices charged to customers and 59% expect no change, comparable to U.S. results. Four in 10 expect to increase capital spending expectations which, is slightly higher than expectations nationally (36% expect increases).



The Power of Positive Thinking

Minnesota 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 a bit lower vs. the total nationally. The number highly optimistic about their own business is somewhat higher than 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, almost half (45%) of Minnesota respondents expressed hope about the business climate, with another 38% feeling enthusiastic, similar to results nationwide. The number feeling despair or anger is the single digits.



Certainly Uncertain About Policy: Almost half (45%) expect major policy changes from the new administration and Congress within the next six months that will affect their business, while 33% say none are expected and 23% are unsure. More than four in 10 (44%) 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. Fifteen percent anticipate a negative impact while 35% are unsure and 6% anticipate no effect. Minnesota expectations mirror expectations among similar-sized businesses nationally.

More Money, No Problems?

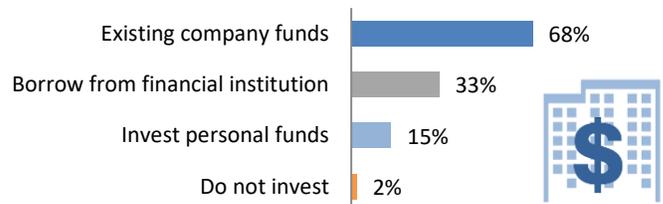
Under Pressure: Half (52%) of survey respondents said it's harder to hire qualified employees in Minnesota than it was six months to a year ago. This compares to 34% nationally. Cited as the top challenges in hiring in Minnesota were inadequate skills and experience (42%), overall lack of applicants (36%) and candidates requiring higher compensation than the business owner can afford (4%). When offered as a response for the first time in the survey's history, 5% cited issues with candidates' abilities to pass required controlled substance screening.

Three in 10 (31%) Minnesota 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.

Three out of four (73%) Minnesota respondents report their business has taken out a loan at some point and three in 10 (31%) have done so in the last two years.

Wage Watchers: More than half (53%) of Minnesota employers anticipate increasing employee compensation in the next six months, compared to 45% nationally who expect to do so. Among nearly half (47%) who do not anticipate increasing pay, most believe the compensation they provide is sufficient – either asserting that the pay is competitive for the industry (47%), or that their current compensation level isn't affecting hiring or retention (28%).

Main Source of Funding for Capital Investments



PNC Insight



Nearly four in 10 business owners in Minnesota face a barrier when it comes to cyber security



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

- 88% use a firewall and encrypting information
- 84% use antivirus and antispyware
- 81% work with banks or card processors to maintain anti-fraud services
- 79% educate employees about cybersecurity and hold them accountable
- 66% protect all pages on public-facing websites, not just checkout and sign-up pages

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.