

### Ohio Small and Mid-Size Business Leaders Curb Their Enthusiasm Somewhat, But Remain Optimistic

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Our fall 2017 survey shows that small and mid-sized business owners in Ohio remain highly optimistic about the prospects for their own businesses and the U.S. economy, although optimism has moderated from the historic highs of spring 2017, in the immediate aftermath of the 2016 elections.

Ohio's economy continues to grow at roughly the same pace as in 2016. Demand for steel has stabilized, providing relief to much of the state, while healthcare, finance and education will support economic growth. Although the region still faces some challenges, low living and business costs and availability of underutilized assets are important to attracting new industries.

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.

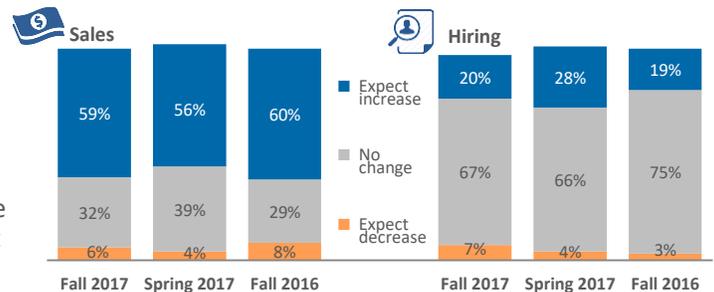
#### KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

#### Two Steps Forward, One Step Back

Six in 10 (59%) Ohio business owners and leaders anticipate increases in sales during the next six months, down slightly from spring 2017. More than half (54%) expect profit increases, up from 49% in fall 2016, and exceeding the post-election high of 50% last spring.

**Ohio vs. U.S.:** Nationally, 54% expect sales and 51% expect profits to increase, while 25% expect hiring to go up.

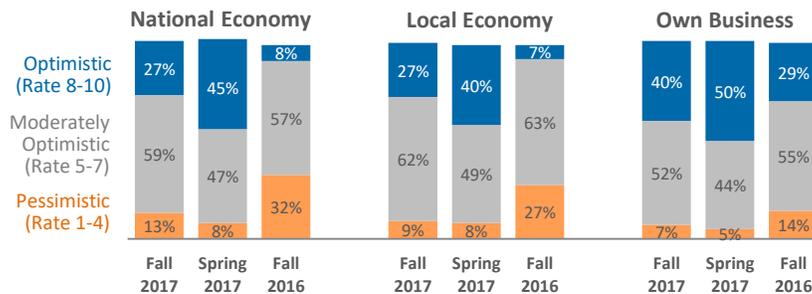
Hiring expectations are lower compared to six months ago. Two in 10 expect to increase the number of full-time employees, down from 28% in spring. Just 7% plan a reduction. Owners cite business growth and investment as drivers of staffing growth.



#### The Power of Positive Thinking

After last spring's record high levels of optimism in the eight-year history of PNC's survey in Ohio, business leaders' optimism about the national and local economy, as well as their own business for the next six months, tempered slightly this fall, but still remains higher than one year ago. Of note, the share of respondents who described their outlook for the U.S. economy as strongly optimistic dropped to 27% from 45%, while the share with a moderately optimistic outlook rose to 59% from 47%. Just 13% of business owners and leaders expressed pessimism, still close to an all-time low.

#### % Optimistic about the...



**Ohio vs. U.S.:** Nationally, 29% are optimistic about the national economy, 32% are optimistic about their local economy and 43% are optimistic about their own company's prospects.



**The Tenacity of Hope:** Accompanying these moderated expectations for the U.S. economy, more than four in 10 (45%) respondents expressed hope about the business climate, with another 32% feeling enthusiastic. Ten percent expressed fear, while the number feeling despair or anger remains in the single digits.



**Certainly Uncertain About Policy:** More than one-third (37%) of those surveyed expect major policy changes from the new administration and Congress within the next six months that will affect their business, while 40% say none are expected and 22% are unsure. Nearly four in 10 (37%) 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. One in 10 (10%) anticipate a negative impact (similar to 11% in spring 2017), while 42% are unsure and 11% anticipate no effect.

### More Money, No Problems?

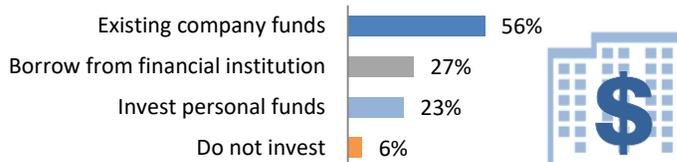
**Under Pressure:** Three in 10 (31%) survey respondents said it's harder to hire qualified employees than it was six months to a year ago. Cited as the top challenges in hiring were inadequate skills and experience (35%), overall lack of applicants (14%) and candidates requiring higher compensation than the business owner can afford (12%). When offered as a response for the first time in the survey's history, 9% cited issues with candidates' abilities to pass required controlled substance screening.

**Wage Watchers:** The proportion of employers who anticipate increasing employee compensation continues to be relatively high, with 25% expecting to increase, down from 32% in the spring and similar to 23% in fall 2016. Among the majority (68%) who do not anticipate increasing pay, most believe the compensation they provide is sufficient – either asserting that their current compensation level isn't affecting hiring or retention (40%), or that the pay is competitive for the industry (21%).

More than one in 10 (13%) business owners surveyed anticipate taking out a new loan or line of credit in the next six months, the same as in spring 2016. Most continue to 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, the number expecting their business' need for financing to increase has dropped significantly to 4% from 15% in spring and 11% in fall 2016.

Nearly two-thirds (64%) of respondents report their business has taken out a loan at some point and two in 10 have done so in the last two years.

### Main Source of Funding for Capital Investments



### PNC Insight

Three in 10 Ohio business owners face a barrier when it comes to cyber security



One in 20 (5%) business leaders reported being the victim of an information security breach – compared to 10% in fall 2016. Nine out of 10 (89%) take at least one security measure, up from fall 2016 (79%). Significantly more business leaders report taking action in several areas:

- 74% use antivirus and antispyware
- 70% use a firewall and encrypting information
- 58% work with banks or card processors to maintain anti-fraud services
- 49% protect all pages on public-facing websites, not just checkout and sign-up pages
- 43% 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.