

PNC SURVEY SHOWS STRONG CHARLOTTE BUSINESS OWNER OPTIMISM AMID IMPROVING ECONOMIC CONDITIONS

ANALYSIS BY PNC SENIOR ECONOMIST Kurt Rankin

Charlotte’s economy is set up well for small and mid-sized businesses in the Spring of 2024. Optimism among the market area’s business owners is justified at a slightly stronger reading than the national result for The PNC Economic Outlook Survey for Spring 2024. The local unemployment rate was 3.4% to close out 2023 – up marginally from the historic low of 3.1% in June and rising on the strength of labor force gains that are well above the national average.

Charlotte’s small and mid-sized business owners expressed higher inflation expectations than business owners nationally in the PNC survey. Wage growth is a primary contributor to this view in Charlotte, and 37% of local business owners expect compensation to increase, compared to 31% of survey participants nationally. But rather than the shortage- and interruption-driven inflation of the past couple of years, local price pressures in Charlotte in 2024 will be based upon healthy demand and solid economic fundamentals supporting consumer spending growth.

Leisure and hospitality services is a shining example of Charlotte’s demand-driven wage growth. Charlotte businesses employ 7.5% more workers in the industry compared to prior to the pandemic. Considering that the industry nationally is just back to its pre-pandemic level, this displays the Charlotte economy’s exceptional local strength. Home values in Charlotte have outpaced the national average for three consecutive years, providing a strong boost to homeowner consumer confidence, which should continue to translate into solid consumer spending at local businesses this year.

HIGH ECONOMIC AND BUSINESS PROSPECT OPTIMISM

Highly Optimistic about National Economy (Rate 8-10 on 10pt. Scale)



PNC’s latest semi-annual survey of small and mid-sized businesses shows that Charlotte business owner optimism about the national economy in the next six months is just above the national measure, a 22-year high amid lessening fears of a recession.

Nearly six in 10 Charlotte owners (58%) are highly optimistic about the national economy, compared to the national level (55%), which is up from 34% last fall and 26% a year ago. Over four in 10 in Charlotte (44%) are highly optimistic about the global economy, just above the national level (40%). This global optimism reading is up from 25% last fall and 9% a year ago, nationally. More than six in 10 (63%) in Charlotte are optimistic about their local economy, equal to the national reading (63%), which increased from 47% last fall and 30% a year ago.

Highly Optimistic about Own Business (Rate 8-10 on 10pt. Scale)



Optimism also runs high about Charlotte business leaders’ prospects for their own business. Seven in 10 (70%) report they are highly optimistic about the prospects for their own business. Nationally, eight in 10 (79%) are highly optimistic about their business, consistent with last fall (77%) and up substantially from a year ago (60%).

Half (50%) of Charlotte business leaders expect an increase in their company’s profits in the next six months. Nationally, the outlook on profits remains steady with over half (52%) expecting an increase, midway between the levels recorded last fall (55%) and a year ago (49%). Few Charlotte businesses anticipate decreases in profits (6% vs. 5% U.S.) or sales (6% vs. 5% U.S.) in the next six months.

INFLATION PRESSURES

Based on the survey results, inflation pressures are higher in Charlotte compared to businesses nationwide. Over half (53%) of Charlotte business leaders expect to increase prices in the next six months, compared to the portion nationally (47%), which is down from last fall and spring (55%).

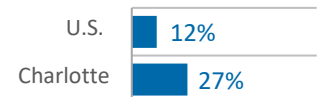
Of those expecting to take that step, more than a quarter (27%) plan to raise prices by 5% or more, higher than the national reading (12%), which is down from last fall (25%) and a year ago (23%).

At the same time, nearly half of Charlotte business owners (46% vs. 40% U.S.) expect their suppliers’ prices to increase in the next six months. The national measure is down from six months ago (49%) and last spring (47%). Four in 10 (40% vs. 41% U.S.) of those expecting supplier price increases only expect a modest 1-2% rise, while fewer (11% vs. 13% U.S.) expect an increase of 5% or more.

Expect to Increase Prices to Customers in next six months

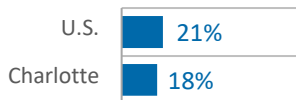


Expect to Increase Prices to Customers by 5% or More



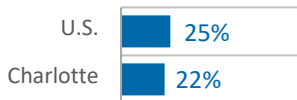
EXPANDING WORKFORCES

Expect to Increase the Number of Full-Time Employees in next six months



Harder to Hire Qualified Employees

vs. six months to a year ago, among those hiring



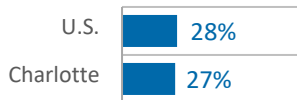
Nearly two in 10 (18%) Charlotte business owners expect to increase their full-time workforce in the next six months, compared to 21% nationally. Eight in 10 (80% vs. 74% U.S.) expect the number of full-time employees to remain unchanged, while a small number (1% vs. 4% U.S.) anticipate reductions. Among Charlotte businesses looking to hire, 22% say it's become harder to hire qualified employees, compared to the portion nationally (25%), which is down from last fall (35%) and a year ago (36%).

The top issue for employers in Charlotte and nationally is a lack of candidates overall (31% vs. 28% U.S.), followed by candidates' lack of experience or skills (23% vs. 22%). Concern about candidates' high salary/benefit or flexibility requirements (13% vs. 9% U.S.) falls just ahead of candidates' inability to meet legal/security requirements (9% vs. 9% U.S.) in Charlotte.

Expect Employee Compensation to Increase in next six months



Expect Increase in Employee Health Care Costs in next six months



Nearly four in 10 (37%) Charlotte business owners expect employee compensation to increase in the next six months, compared to 31% nationally. More than a quarter (27% vs. 28% U.S.) anticipate increasing employee health care costs in the next six months.

A majority (52%) of Charlotte employers are making plans to innovate or improve their human resources practices in the coming year, compared to 43% nationally. More than a quarter are targeting workplace flexibility (28% vs. 26% U.S.) and focusing on employee benefits (27% vs. 24% U.S.) with improvement and innovation strategies. Among owners who regularly hire employees, three in 10 (30% vs. 26% U.S.) look to enhance hiring practices.



Planning to Make Human Resources Improvements

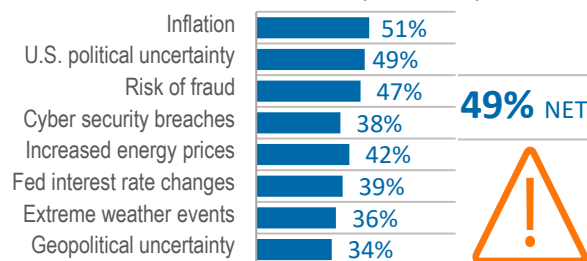
among employers in next year, including changes to workplace flexibility, employee benefits or hiring practices



FRAUD ALERT

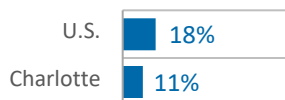
Half of Charlotte business owners are extremely or moderately concerned about inflation (51% vs. 49% U.S.) and U.S. political uncertainty (49% vs. 45% U.S.). Concern in Charlotte is lower than nationally (49% vs. 66% U.S.) about the risk of fraud (47% vs. 59% U.S.) or potential cyber security breaches (38% vs. 58% U.S.). More than four in 10 have the same level of concern about increased energy prices (42% vs. 45% U.S.). Less than four in 10 are concerned about the impact of Federal Reserve interest rate changes (39% vs. 40% U.S.), extreme weather events (36% vs. 45% U.S.) and geopolitical uncertainty (34% vs. 36% U.S.) on their business.

Potential Risks to Business extremely or moderately concerned



NEED FOR FINANCING

Expect Financing Needs to Increase in next six months



One in 10 (11%) Charlotte business owners expect their need for business financing will increase in the next six months, compared to 18% nationally. Three in 10 (30%) say they will definitely or probably request a new loan or line of credit in the next six months, double the portion of businesses nationwide (15%).

Definitely or Probably will Request a New Loan/Line of Credit in next 6 months

