

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

ANALYSIS BY PNC SENIOR ECONOMIC ADVISOR Stuart Hoffman

Jobs in the Louisville metro area rose by 10,000, or 1.4%, in the twelve months ending December 2023, about the same as in 2022. This slightly trailed the 2.0% growth in jobs in the national economy in 2023. At 693,000 jobs in December 2023, this is a record high number of workers in the Louisville metro area, about 14,000 above the pre-pandemic “peak” in early-2020. This job gain has been well balanced among construction, manufacturing, and private services industries.

About one in five small and mid-sized Louisville business owners (19%) intend to hire full time employees in the first half of 2024, comparable to the national trend (21%). The challenge for the region’s economy is not demand for workers but a lack of supply. The labor force in Louisville is currently about 15,000 below the most recent peak in late-2019, This makes hiring a challenge, but fewer Louisville business owners report that it is harder to find qualified employees than 6- and 12-months ago.

Just over one-half of Louisville business owners (52%) are nearly as optimistic about the national economy’s performance in the first half of 2024 as their U.S. counterparts (55%). Just over two-thirds of Louisville business owners (68%) are highly optimistic about their own company’s performance in the first half of 2024, somewhat below the national results (a record high 79%). PNC expects softer but still positive economic growth and slower inflation in the national economy 2024. We expect the same in the Louisville metro economy as it mostly mirrors the national economic trend.

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 Louisville business owner optimism about the national economy in the next six months is just below the national measure, a 22-year high amid lessening fears of a recession.

A majority of Louisville owners (52%) 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. Nearly four in 10 in Louisville (37%) are highly optimistic about the global economy, just below the national level (40%). This global optimism reading is up from 25% last fall and 9% a year ago, nationally. Six in 10 (59%) in Louisville are optimistic about their local economy, just below 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 Louisville business leaders’ prospects for their own business. Nearly seven in 10 (68%) 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%).

Over half (52%) of Louisville business leaders expect an increase in their company’s profits in the next six months. Nationally, the outlook on profits is the same as Louisville and remains steady with over half (52%) expecting an increase, midway between the levels recorded last fall (55%) and a year ago (49%). Few Louisville businesses anticipate decreases in profits (5% in Louisville and nationally) or sales (4% vs. 5% U.S.) in the next six months.

INFLATION PRESSURES EASE

Based on the survey results, inflation pressures appear to be lessening. Fewer than half (46%) of Louisville businesses expect to increase prices in the next six months, similar to the portion nationally (47%), which is down from last fall and spring (55%).

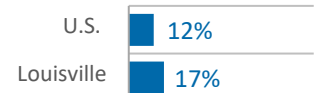
Of those expecting to take that step, fewer than two in 10 (17%) plan to raise prices by 5% or more, higher than the national reading (12%), which is down from last fall (25%) and a year ago (23%).

At the same time, four in 10 Louisville business owners (39% 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%). Over four in 10 (42% vs. 41% U.S.) of those expecting supplier price increases only expect a modest 1-2% rise, while fewer (8% vs. 13% U.S.) expect an increase of 5% or more.

Expect to Increase Prices to Customers in next six months

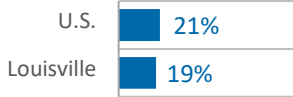


Expect to Increase Prices to Customers by 5% or More



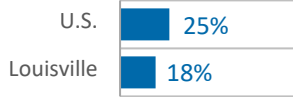
EXPANDING WORKFORCES

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



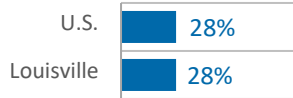
Two in 10 (19%) Louisville business owners expect to increase their full-time workforce in the next six months, compared to 21% nationally. More than three-quarters (77% vs. 74% U.S.) expect the number of full-time employees to remain unchanged, while a small number (3% vs. 4% U.S.) anticipate reductions. Among Louisville businesses looking to hire, 18% 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 Louisville and nationally is a lack of candidates overall (33% vs. 28% U.S.), followed by candidates' lack of experience or skills (24% vs. 22%). Concern about candidates' high salary/benefit or flexibility requirements (9% in Louisville and nationally) falls just ahead of candidates' inability to meet legal/security requirements (7% vs. 9% U.S.) in Louisville.

Expect Employee Compensation to Increase
in next six months



Expect Increase in Employee Health Care Costs
in next six months



A third (34%) of Louisville business owners expect employee compensation to increase in the next six months, compared to 31% nationally. More than a quarter (28% in Louisville and nationally) anticipate increasing employee health care costs in the next six months.

Nearly half (48%) of Louisville employers are making plans to innovate or improve their human resources practices in the coming year, compared to 43% nationally. Three in 10 are targeting workplace flexibility (30% vs. 26% U.S.) and a quarter are focusing on employee benefits (24% in Louisville and nationally) with improvement and innovation strategies. Among owners who regularly hire employees, three in 10 (31% vs. 26% U.S.) look to enhance hiring practices.



Planning to Make Human Resources Improvements

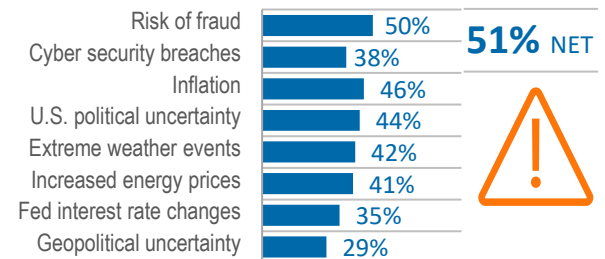
among employers in next year, including changes to workplace flexibility, employee benefits or hiring practices



FRAUD ALERT

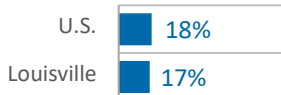
A majority of Louisville business owners (51% vs. 66% U.S.) are extremely or moderately concerned about the risk of fraud (50% vs. 59% U.S.) or potential cyber security breaches (38% vs. 58% U.S.). More than four in 10 have the same level of concern about inflation (46% vs. 49% U.S.), U.S. political uncertainty (44% vs. 45% U.S.), extreme weather events (42% vs. 45% U.S.) and increased energy prices (41% vs. 45% U.S.). Less than four in 10 are concerned about the impact of Federal Reserve interest rate changes (35% vs. 40% U.S.) and geopolitical uncertainty (29% vs. 36% U.S.).

Potential Risks to Business extremely or moderately concerned



NEED FOR FINANCING

Expect Financing Needs to Increase
in next six months



More than one in 10 (17%) Louisville 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



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