

## PNC SURVEY SHOWS STRONG MIAMI BUSINESS OWNER OPTIMISM AMID IMPROVING ECONOMIC CONDITIONS

### ANALYSIS BY PNC ECONOMIST Ershang Liang

The Miami metropolitan area economy has strong momentum in early 2024, after finishing 2023 with job growth far above the national average, including robust local job gains across most industries. Employment growth continues in the region's important leisure/hospitality services industry, but industry employment is still slightly below its pre-pandemic peak, even as overall employment is 6% higher than it was before the pandemic. At 2.4% in December, the Miami area unemployment rate is one of the lowest in Florida and the U.S.

South Florida's economy will continue to perform above the national average in 2024, with the housing market remaining a key driver of growth. The Miami area continues to benefit from strong population inflows from Latin America, but overall, in-migration is negative as low housing affordability drives away domestic residents to other, lower-cost areas of Florida. Rental price pressures will subside in 2024, however, as more multifamily housing comes to market after a surge in apartment and condominium construction following the pandemic.

Local travel and tourism will benefit from increased spending in 2024 as the drivers for household spending remain positive, including job and wage gains; rising household wealth; and lower interest rates. Improving corporate profits will support business travel, and a weaker U.S. dollar over the course of 2024 will support foreign travel into Miami. The biggest constraint for the area will be a worker shortage in leisure/hospitality services as Miami's high cost of living makes it difficult to attract workers in the lower-paying industry.

### 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 Miami 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.

Nearly half of Miami owners (47%) 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 Miami (38%) are highly optimistic about the global economy, consistent with the national level (40%). This global optimism reading is up from 25% last fall and 9% a year ago, nationally. A majority (56%) in Miami are optimistic about their local economy, compared to 63% nationally, 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 Miami business leaders' prospects for their own business. Three-quarters (74%) 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%).

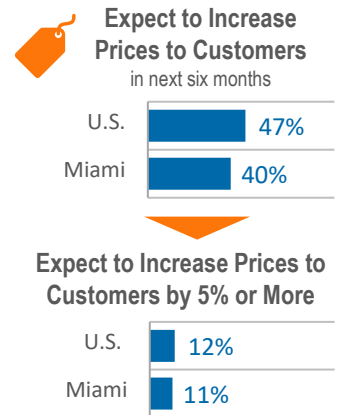
Nearly half (48%) of Miami business leaders expect an increase in their company's profits in the next six months. Nationally, the outlook on profits remains steady with over half (52%) expecting an increase, midway between the levels recorded last fall (55%) and a year ago (49%). Few Miami businesses anticipate decreases in profits (3% vs. 5% U.S.) or sales (3% vs. 5% U.S.) in the next six months.

### INFLATION PRESSURES EASE

Based on the survey results, inflation pressures appear to be lessening. Four in 10 (40%) Miami 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%).

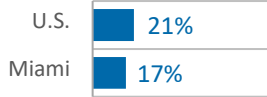
Of those expecting to take that step, just over one in 10 (11%) plan to raise prices by 5% or more, consistent with the national reading (12%) which is down from last fall (25%) and a year ago (23%).

At the same time, three in 10 Miami business owners (29% 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%). More than four in 10 (45% 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.



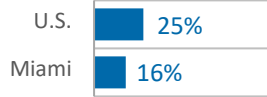
**EXPANDING WORKFORCES**

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



**Harder to Hire Qualified Employees**

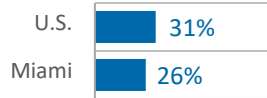
vs. six months to a year ago, among those hiring



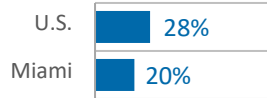
Nearly two in 10 (17%) Miami business owners expect to increase their full-time workforce in the next six months, compared to 21% nationally. Eight in 10 (81% vs. 74% U.S.) expect the number of full-time employees to remain unchanged, while a small number (2% vs. 4% U.S.) anticipate reductions. Among Miami businesses looking to hire, 16% 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 Miami and nationally is a lack of candidates overall (30% vs. 28% U.S.), followed by candidates' lack of experience or skills (13% vs. 22%). Miami concern about candidates' inability to meet legal/security requirements (11% vs. 9% U.S.) falls just ahead of high salary/benefit or flexibility requirements (9% in Miami and nationally).

**Expect Employee Compensation to Increase in next six months**



**Expect Increase in Employee Health Care Costs in next six months**



A quarter (26%) of Miami business owners expect employee compensation to increase in the next six months, compared to 31% nationally. Two in 10 (20% vs. 28% U.S.) anticipate increasing employee health care costs in the next six months.

More than a third (36%) of Miami employers are making plans to innovate or improve their human resources practices in the coming year, compared to 43% nationally. Nearly a quarter (23% vs. 26% U.S.) are targeting workplace flexibility, and nearly two in 10 (18% vs. 24% U.S.) are focusing on employee benefits with improvement and innovation strategies. Among owners who regularly hire employees, more than one in 10 (15% vs. 26% U.S.) look to enhance hiring practices.



**Planning to Make Human Resources Improvements**

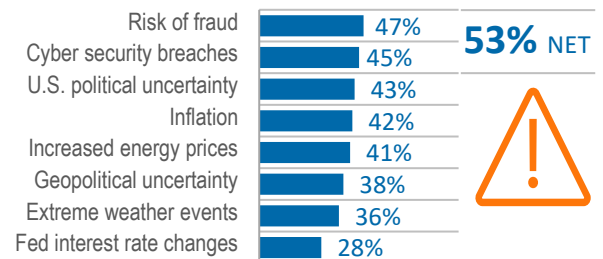
among employers in next year, including changes to workplace flexibility, employee benefits or hiring practices



**FRAUD ALERT**

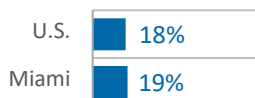
A majority of Miami business owners (53% vs. 66% U.S.) are extremely or moderately concerned about the risk of fraud (47% vs. 59% U.S.) or potential cyber security breaches (45% vs. 58% U.S.). More than four in 10 have the same level of concern about U.S. political uncertainty (43% vs. 45% U.S.), inflation (42% vs. 49% U.S.) and increased energy prices (41% vs. 45% U.S.). Less than four in 10 are concerned about the impact of geopolitical uncertainty (38% vs. 36% U.S.), extreme weather events (36% vs. 45% U.S.) and Federal Reserve interest rate changes (28% vs. 40% U.S.).

**Potential Risks to Business** extremely or moderately concerned



**NEED FOR FINANCING**

**Expect Financing Needs to Increase in next six months**



Two in 10 (19%) Miami business owners expect their need for business financing will increase in the next six months, compared to 18% nationally. The same portion (19%) say they will definitely or probably request a new loan or line of credit in the next six months, compared to 15% of businesses nationwide.

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



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