Small Business Optimism Hits Record High, Gaining Momentum From Vaccines And Adapted Pandemic Operations, PNC Survey Shows

- Eight in 10 business owners have encouraged or required employees to be vaccinated; 78% estimate a majority of their employees have complied

- Higher employee vaccination rates linked to more optimistic outlook for small businesses

- Nearly three quarters (71%) expect sales to increase in the next 6 months, while 58% anticipate increased profits

- More than half (54%) expect to raise prices in the next six months; more than a third (36%) expect hikes of 5% or more

PITTSBURGH, Sept. 27, 2021 /PRNewswire/ -- Business owners are feeling optimistic about the near-term future of their businesses amid increasing vaccination rates, and those who report that more than three-quarters of their workforce has been vaccinated are the most positive about their business outlook. This includes expectations for higher demand, sales and profits than companies reporting a lower rate of employee vaccination, according to PNC's semi-annual national small business survey, which concluded Aug. 31.

Data gathered during PNC's survey demonstrates that vaccines are top-of-mind for business owners. Eight in 10 (79%) businesses said they have taken action to encourage employee vaccination. Nearly half (48%) are requiring employee vaccinations, 44% are providing assistance related to vaccinations, 26% are incentivizing employees to receive vaccinations, and one in four (24%) have added restrictions for employees who choose not to be vaccinated.

Those efforts may well be making an impact: more than three-quarters (78%) of survey respondents estimate that a majority of their employees have been vaccinated and 43% believe their entire workforce is vaccinated.

More than half (53%) of business leaders with fewer than 100 full-time employees have required their employees to receive the vaccine, more than double that of businesses with 100 or more full-time employees (26%).

"The survey results demonstrate that most business owners believe the vaccine can have a positive impact on their businesses," PNC Chief Economist Gus Faucher said. "Further, business owner optimism rises as vaccination rates increase, indicating that efforts to support vaccinations broadly could strengthen the economic recovery."

Labor Shortages, Inflation and the Look Ahead

Despite the optimism among business owners, challenges do remain. While more employers hope to hire – and hiring expectations have returned to pre-pandemic levels – many businesses are struggling to find employees. Among all employers surveyed, labor availability is the most frequently-mentioned concern,

topping sales and supply chain worries that were reported as more prominent earlier in the year. More than four in 10 employers say they are offering increased compensation to retain or attract new employees, implementing employee health or safety improvements (46%) and allowing more flexible work arrangements (44%).

Profit expectations for the next six months have doubled since PNC's spring survey, and sales and demand have reached the highest levels in the survey's 19-year history.

"Although conditions changed rapidly in August as the Delta variant became more prominent and COVID-19 cases rose, there was essentially no change in sales growth expectations between the first and second halves of the month," Faucher said. "While optimism for leaders' own business prospects tempered as the month progressed, it is still significantly higher than it was earlier this year, and the economic outlook remains solid."

However inflation is now a greater concern, as price hikes are expected to keep up with higher input and labor costs. More than half (54%) of business owners surveyed expect to increase their prices, and the anticipated hikes will be substantial, as more than a third expect to boost prices 5% or more, with favorable market conditions and higher costs cited as the leading factors.

Different Operating Environment

The nature of how many businesses operate has undergone permanent changes since the pandemic, according to PNC's latest survey.

Nearly half (47%) had employees shift to remote work due to the pandemic and among those businesses, four in 10 (42%) have returned fully to in-person work, with another 17% expecting to transition their workforce back eventually. Many anticipate more permanent changes, with 25% saying they will transition to a mix of virtual and in-person, while another 9% will provide employees with the opportunity to choose where they work.

"The pandemic will have far-reaching impacts on small businesses," Faucher continued. "In addition to higher inflation and disruptions in production and labor markets in the short run, the relationship between businesses and employees has changed. But over the long run, the economy will fully recover, benefitting small businesses and, ultimately, the workforce."

Full national and regional survey results are available at pnc.mediaroom.com. Other key findings include:

- **Hard to Hire:** Of those business owners who are hiring and experiencing challenges, more than half (58%) cite enhanced unemployment compensation benefits as the root cause, with 55% citing worker concerns about workplace health and safety; 45% saying workers' priorities have changed; and 45% saying workers are demanding higher pay.
- **Inflation Pressures:** More than half (54%) expect to raise their own prices over the next six months, a high in PNC's 19-year history of conducting the survey. One in three (36%) expect the hikes to be substantial: 5% or more. Four in 10 (42%) say they are increasing prices in response to favorable market

conditions (52% of service industry businesses), but one in three (33%) cite higher non-labor costs and one in four (25%) cite higher labor costs. Non-labor costs are a more prominent factor in the manufacturing (45%) and construction (42%) sectors.

- **Pricing Pressures:** Some of the pricing pressures are coming from anticipated supplier price increases: nearly half (46%) expect supplier price increases, little changed from spring (43%). Expectations for supplier price increases are higher among the manufacturing, wholesale/retail and construction sectors. These pricing dynamics have led to higher inflation expectations. Eight in ten respondents (80%) expect increased consumer prices this year, and most (62%) expect the rise to be 3% or more; 38% expect a jump of 5% or more, a survey high.

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Methodology

The PNC Economic Outlook survey was conducted by telephone from 8/2/2021 to 8/31/2021, among small and mid-sized businesses with self-reported revenue of $100,000 to $250 million. 500 interviews were conducted nationally. Sampling error for the nationwide results is +/- 4.4% at the 95% confidence level. The survey was conducted by Artemis Strategy Group (www.ArtemisSG.com), a communications strategy research firm specializing in brand positioning and policy issues. The firm, headquartered in Washington D.C., provides communications research and consulting to a range of public and private sector clients.

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