

PNC Survey Shows Business Owner Optimism Continues to Soar Amid Improving Economic Conditions

- 55% of small and mid-sized business owners surveyed are optimistic about the national economy.
- 79% are highly optimistic about the prospects of their own business.
- Inflation pressures are easing with fewer than half expecting to raise prices in the next six months.

PITTSBURGH, Feb. 28, 2024 /PRNewswire/ -- PNC's latest semi-annual survey of small and mid-sized businesses, which concluded Feb. 1, shows that business owner optimism about economic conditions over the next six months has reached a 22-year high amid lessening fears of a recession.

A majority of those surveyed (55%) are highly optimistic about the national economy, rocketing from 34% last fall and 26% a year ago. Four in 10 (40%) are highly optimistic about the global economy, up from 25% last fall and 9% a year ago. Nearly two-thirds of business owners (63%) are highly optimistic about their local economy, up from 47% last fall and 30% a year ago.

Optimism also runs high about their own businesses. Eight in 10 business owners (79%) report that they are highly optimistic about the prospects for their own business, consistent with last fall (77%) and up substantially from a year ago (60%). Construction leads other sectors, with 85% anticipating better times ahead for their own businesses. Larger revenue (\$20 million to \$250 million) business leaders express the most optimism about the national and local economies as well as their own businesses, while smaller revenue (\$100,000 to less than \$3 million) business owners are the least optimistic.

"Business leaders see their own businesses continuing to do well in a strong and improving economy, whereas previously they had been telling us they are doing well despite concerns about the overall economy," said Gus Faucher, PNC chief economist. "However, risks remain. PNC expects near-term economic growth and we will be looking closely at employment data, inflation and when and how the Federal Reserve makes decisions around interest rates."

Based on the survey results, inflation pressures appear to be lessening. Fewer than half (47%) of businesses expect to increase prices in the next six months, down from last fall (55%). Of those expecting to take that step, just over one in 10 (12%) plan to raise them by 5% or more, a drop from last fall (25%) and a year ago (23%); four in 10 (41%) expect a smaller increase of 1-2%, up from last fall (19%) and last spring (32%).

At the same time, four in 10 (40%) businesses say they expect the prices their suppliers charge to increase in the next six months, down from six months ago (49%) and last spring (47%). Four in 10 (41%) of those expecting increases in supplier prices only expect a modest 1-2% rise, while fewer (13%) expect an increase of 5% or more.

"Supply chain issues, which were a major contributor to the inflation spike late in 2021, and into last year, have largely dissipated," Faucher said. "Yet employers remain under pressure due to increasing costs for hiring and compensation. As the exceptionally tight labor market loosens somewhat this year, we may see those pressures lessening."

Related to employment, two in 10 (21%) business owners expect to increase their full-time workforce in the next six months, up from 9% last fall and 13% a year ago. Three-quarters (74%) expect the number of full-time employees to remain the same, while only a small number (4%) anticipate reductions. Among businesses looking to hire employees, a quarter (25%) say it's become harder to hire qualified employees, down from last fall (35%) and a year ago (36%).

The hiring challenges employers are facing have changed little since last fall. They say the top problem is a lack of applicants overall (28%, 32% in fall 2023), followed by candidates' lack of experience or skills (22%, unchanged from fall 2023), and high salary/benefit or flexibility requirements (9%, 8% in fall 2023). One shift since the fall is in candidates' inability to meet legal/security requirements, which rose to 9%, from 5% six months ago.

Other findings in the survey include:

- **Fraud and Cyber Concerns:** Two-thirds (66%) of business owners are moderately or extremely

concerned about either the risk of fraud (59%) or potential cyber security breaches (58%).

- **Profit Expectations:** The outlook on profits for the next six months remains steady, with just over half of those surveyed (52%) expecting an increase, midway between the levels recorded last fall (55%) and a year ago (49%). Few businesses anticipate decreases in profits (5%) or sales (5%) over the same time period.

- **Need for Financing:** Nearly two in 10 (18%) owners expect their business' need for financing will increase in the next six months, up from 7% last fall and 9% a year ago. Among businesses expecting their need for financing to increase, fewer than three in 10 (28%) say they will definitely or probably request a new loan or line of credit during that period. This suggests that a significant majority are likely to tap sources other than new loans/lines of credit to meet their upcoming financing needs.

Full national and regional survey results are available at pnc.mediaroom.com.

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Methodology

The PNC Economic Outlook survey was conducted by telephone from 1/2/2024 to 2/1/2024, among small and mid-sized business owners/leaders 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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