

OPTIMISM STILL SPRINGS THIS FALL FOR FLORIDA SMALL AND MID-SIZE BUSINESS OWNERS

ANALYSIS BY
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PNC's survey of small and mid-sized business owners in Florida shows a high degree of optimism about the state and national economies over the next six months. The owners' outlook for their businesses remains highly optimistic.

This optimism reflects the general health of the U.S. economy, which has remained solid through 2019, although economic growth and job growth are expected to taper somewhat in the first half of 2020.

Labor market conditions are strong in the Sunshine State, with the unemployment rate near a record low and job growth above the national average throughout the current expansion. Florida wage growth also remains above the national average.

Education, health services, and construction have been bright spots in the local economy, and Florida has benefited from solid in-migration from other states.

Although Florida growth will slow in the near-term as weaker national job gains weigh on the state's vital leisure and hospitality services industry, a weaker dollar will somewhat offset this, supporting foreign travel to Florida. The state's limited exposure to the U.S.-China trade war is also a near-term positive. Retiring baby boomers will continue to move to Florida, supporting economic growth.

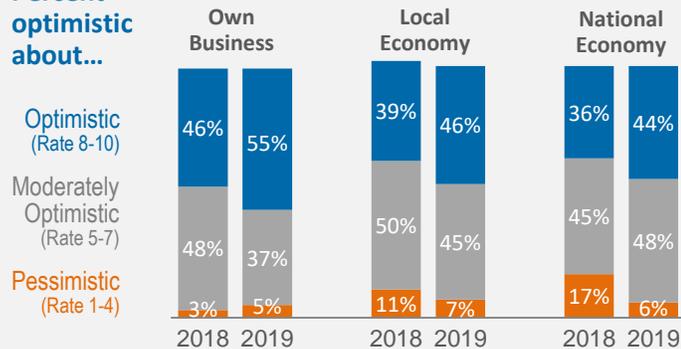
With the national and state labor markets in solid shape, and consumers' balance sheets much stronger than they were prior to the Great Recession, the U.S. economic expansion should continue into 2020, supporting economic growth in Florida as well. Federal Reserve interest rate cuts will also support national and state growth.

KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

Florida vs. United States: Nationally, four out of 10 (39%) are optimistic about the national economy and more (55%) are optimistic about their own company's prospects.

Despite pricing pressures and tariff concerns, measures of optimism are approaching the record-setting highs measured in spring 2018, according to the latest PNC survey of Florida small and mid-size business owners and executives. Optimism for Florida business leaders' own company is particularly strong, registering the second-highest reading (55%), compared to 46 percent a year ago and record high (58%) in spring 2018 for the 11-year survey.

Percent optimistic about...

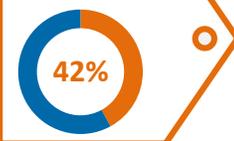


Florida business leaders' views about their local economy are positive with optimism reaching 46 percent, (39% in fall 2018) and second only to the spring 2018 high (52%). More than four in 10 (44%) respondents describe their outlook for the national economy as highly optimistic (36% in fall 2018) and near the spring 2018 record high of 45 percent.

More than six in 10 (62%) Florida small and mid-size business leaders expect their company's sales to increase compared to more than half (54%) in fall 2018, and the spring 2018 record high (66%). Nearly six in 10 (58%) expect their profits to increase, compared to 50 percent in fall 2018 and close to the survey-record high of 60 percent measured in spring 2018.



Supplier Price Increase



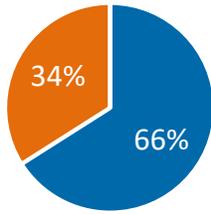
Florida vs. United States: Nationally, more than half (53%) anticipate paying higher prices to suppliers over the next six months. Four out of 10 (42%) expect to increase prices to customers.

PRICE PROMOTION

More than four out of 10 (42%) Florida small and mid-size business owners and executives anticipate paying higher prices to suppliers over the next six months, little changed from 43 percent a year ago.

More than a third (36%) of respondents expect to raise prices that they charge their customers, a level relatively unchanged compared to fall 2018 (37%). Among businesses that expect to raise prices, more than half (56%) anticipate increases of 3 percent or more (60% in fall 2018). Their reasons for price increases include favorable market conditions that support such actions (41%), rising labor costs (33%) and rising non-labor costs (20%). Trade tariffs are also expected to increase both supplier prices and prices respondents charge their own customers (please see Tariff Toll section on the next page).

Retaining/Attracting Employees



■ Have taken action
■ Not taken action

FINDERS KEEPERS

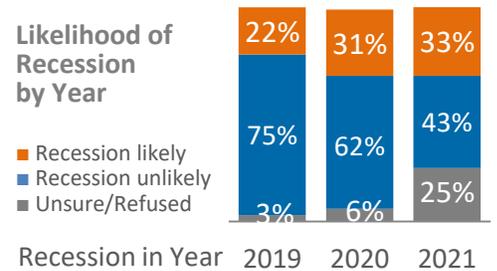
More than two in 10 (22%) Florida small and mid-size business leaders plan to increase the number of full-time employees within the next six months. Those expecting to reduce the number of full-time employees is four percent, up from the Florida survey low of less than one percent recorded in fall 2018.

More than a third (36% vs. 34% in fall 2018) say it's harder to find qualified employees than it was six months to a year ago, with more than four in 10 (44%) having increased wages/salaries, little changed from 42 percent in fall 2018. In addition, more than a quarter (27%) have increased benefits and the same percentage (27%) have allowed more flexible work arrangements. The same share of business leaders (27%) have increased or offered bonuses, up from 17 percent in fall 2018.

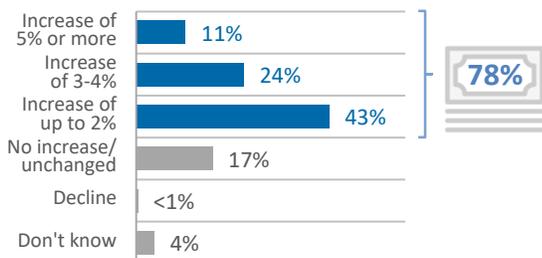
RECESSION IMPRESSIONS

What is the likelihood of recession? Three-quarters of Florida small and mid-size business leaders say a recession is unlikely and 22 percent say it is likely before the end of 2019. But there is a shift in the outlook for a recession in 2020, with the gap in outlook narrowing: 62 percent believe it is unlikely, while 31 percent believe it is likely. Looking further out, optimism wanes, with only 43 percent believing a recession is unlikely in 2021.

Likelihood of Recession by Year



Expectations for Consumer Prices in Next 12 Months



INFLATION CONSTERNATION

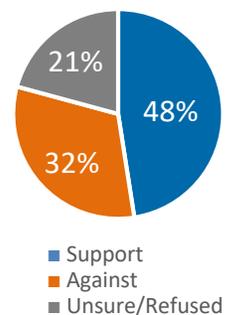
Expectations for consumer prices are important indicators of future inflation, and 78 percent of respondents expect these prices to go up over the next 12 months. The share of Florida business leaders expecting inflation of three percent or more is 35 percent (40% in fall 2018), with 24 percent expecting three- to four-percent inflation and 11 percent anticipating five percent or higher.

TARIFF TOLL

Florida small and mid-size business leaders continue to be divided on the impact of increased U.S. tariffs on goods from other countries, even if other countries retaliate with increased tariffs on U.S. goods/services. Nearly half (48%) are in support, up sharply from 24 percent in fall 2018. A third (32%) are against (40% in fall 2018) and nearly two in 10 (19%) uncertain, down from less than a third (32%) in fall 2018.

Florida business leaders are split on their expectation regarding the impact of the U.S. tariff policy on supplier prices with more than a third (37%) expecting an increase, nearly half who do not expect an increase (47%) and nearly two in 10 (16%) who don't know or feel it is too early to tell. A similar number (35%) anticipate passing on price increases to customers. More than half (52%) believe tariffs will have no impact on their company's sales; however, those who expect an impact are split. Eighteen percent expect an increase in sales and 15 percent expect sales to drop.

Increased Tariffs



The vast majority of respondents (88%) have made no changes to their business in response to tariffs. Among the eight percent who have made changes, two percent made new investments or hired and six percent delayed or cancelled investments or hiring as a result of tariff negotiations.