

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

**ANALYSIS BY**  
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Georgia small business owners' optimistic outlook is an encouraging contrast with downbeat headlines about trade war and recession fears.

Their strong expectations for sales and capital spending increases, as well as a larger share of small businesses raising wages, reaffirm PNC's forecast for continued national economic growth through the end of 2019 and into 2020.

While tempered by declining mortgage rates, an uptick in market housing prices has added supply pressure in the region, prompting business owners to increase wages, benefits and compensation. Two-thirds (64%) of business leaders say they are expecting to spend more on capital expenses such as health care and retirement savings to retain workers, and 4 out of 10 (44%) plan to increase wages/salaries over the next six months. Manufacturers and construction companies, the sectors reporting the strongest hiring growth intentions, are the most aggressive with compensation, bonus or benefit increases.

Survey respondents cite a tight labor market fueling plans to raise wages, which will be a key driver for the state's growth in late 2019 and into 2020.

Employment growth in Georgia outpaced that of the United States as a whole from 2014 to 2018, then stalled in the first half of 2019 due to the partial government shutdown, a pull-back in construction activity, and slower growth of manufacturing.

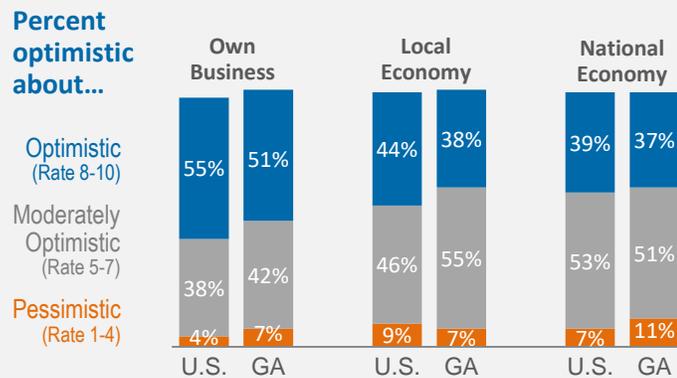
Since then, government spending delayed by the shut-down resumed, lower long-term interest rates and more stable financial conditions bolstered business sentiment, and manufacturing and construction activity recovered.

Job growth in these high-wage industries is fueling demand for Georgia small businesses.

#### KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

**Georgia 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 high, according to the first PNC survey of Georgia small and mid-size business owners and executives. Optimism for Georgia business leaders' own company is particularly strong with the majority highly optimistic (51%), similar to the national survey (55%) which is near the record high from spring 2017 (56%).



Georgia business leaders' views about their local economy are positive with 38 percent who are highly optimistic, compared to 44 percent for the national survey. Nearly four in 10 (37%) describe their outlook for the national economy as highly optimistic, and similar to the national outlook for the U.S. (39%).

More than half (55%) of Georgia small and mid-size business leaders expect their company's sales to increase compared to more than six out of 10 (63%) nationally. Nearly half (45%) expect their profits to increase, compared to 52 percent for the national survey. Respondent expectations are as or more stable compared to the national survey regarding capital spending (64% vs. 60% nationally), the cost of employee health care (63% vs. 54% nationally), business leaders' own compensation (77% vs. 70% nationally) and business leaders' retirement savings (72% vs. 67% nationally).



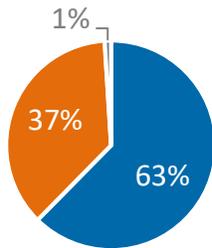
**Georgia vs. United States:** Nationally, more than half (53%) anticipate paying higher prices to suppliers over the next six months. Four out of 10 (42%) expect to increase prices to customers.

#### PRICE PROMOTION

More than four in 10 (43%) Georgia small and mid-size business owners and executives anticipate paying higher prices to suppliers over the next six months, compared to 53 percent nationally.

More than four in 10 (44%) respondents expect to raise prices that they charge their customers, similar to the share of respondents in the national survey (42%). Among businesses that expect to raise prices, more than half (56%) anticipate increases of 3 percent or more (63% nationally). Their reasons for price increases include rising non-labor costs (44%), rising labor costs (26%) and favorable market conditions that support such actions (24%). 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
- Don't know/Refused

### FINDERS KEEPERS

A quarter of Georgia small and mid-size business leaders plan to increase the number of full-time employees within the next six months, compared to 33 percent for the U.S. Three percent expect to reduce the number of full-time employees, the same proportion as the national survey.

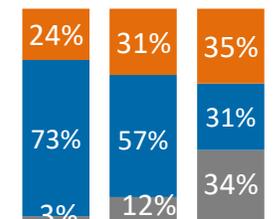
More than four in 10 (44% vs. 47% nationally) say it's harder to find qualified employees than it was six months to a year ago, with four in 10 having increased wages/salaries, compared to 54 percent for the U.S. In addition, two in 10 have allowed more flexible work arrangements and the same number have increased benefits. Nearly two in 10 (19%) have offered or increased bonuses.

### RECESSION IMPRESSIONS

What is the likelihood of recession? Nearly three-quarters (73%) of Georgia small and mid-size business leaders say a recession is unlikely and 24 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: 57 percent believe it is unlikely, while 31 percent believe it is likely. Looking further out, optimism wanes, with only 31 percent believing a recession is unlikely in 2021.

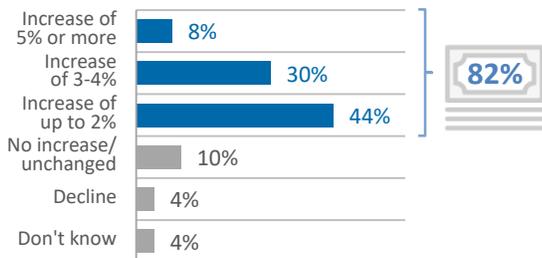
#### Likelihood of Recession by Year

- Recession likely
- Recession unlikely
- Unsure/Refused



Recession in Year 2019 2020 2021

### Expectations for Consumer Prices in Next 12 Months



### INFLATION CONSTERNATION

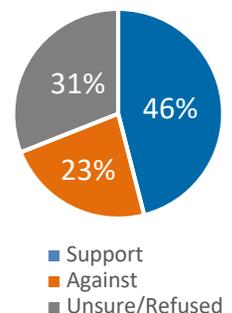
Expectations for consumer prices are important indicators of future inflation, and 82 percent of respondents expect these prices to go up over the next 12 months. The share of Georgia business leaders expecting inflation of three percent or more is 38 percent (43% nationally), with three in 10 expecting three- to four-percent inflation and eight percent anticipating five percent or higher.

### TARIFF TOLL

Georgia small and mid-size business leaders are 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. Levels of support include nearly half (46%) in support (42% nationally), two in 10 (23%) against (33% nationally) and nearly three in 10 (28%) uncertain (24% nationally).

Georgia business leaders are split on their expectation regarding the impact of the U.S. tariff policy on supplier prices with nearly four in 10 (38%) expecting an increase, nearly half who do not expect an increase (47%) and nearly two in 10 (15%) who don't know or feel it is too early to tell. Less than a third (32%) anticipate passing on price increases to customers. Six in 10 believe tariffs will have no impact on their company's sales; however, those who expect an impact are split. Sixteen percent expect an increase in sales and fewer, eight percent, expect sales to drop. Nationally, a similar number (17%) expect sales to increase while 13 percent expect sales to drop.

#### Increased Tariffs



The vast majority of respondents (96%) have made no changes to their business in response to tariffs. Among the four percent who have made changes, three percent made new investments or hired and two percent to delayed or cancelled investments or hiring as a result of tariff negotiations.