

NORTH TEXAS SMALL BUSINESS OPTIMISM HIGH, GAINING MOMENTUM FROM VACCINES AND ADAPTED PANDEMIC OPERATIONS

ANALYSIS BY
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North Texas continues its steady economic recovery from the initial impacts of the pandemic. The labor market situation has improved in the North Texas area. After peaking at 12.5% in April 2020, the unemployment rate has declined steadily and stood at 4.7% in August, below the state and national unemployment rates.

Many businesses have implemented new safety measures to ensure the health and safety of their customers and employees. Business owners continue to feel optimistic about the future of their businesses thanks to increasing vaccination rates, high demand for goods and services, and a partial return to the office.

Businesses continue to relocate into the region to capitalize on the lower cost of living for employees. This is leading to even tighter labor and housing markets, which is exacerbating existing challenges for residents of the region. Supply chain issues and labor shortages also are impacting businesses across the metroplex, especially in the construction industry. It is now taking longer to complete new homes and existing inventories remain tight. Labor shortages and rising costs will weigh on businesses in the near term, but these problems should improve as the pandemic recedes, wages rise and supply chains normalize.

North Texas' economy continues to thrive, but performances will vary widely within the region. Financial activities, and the manufacturing and construction sectors will support economic growth over the next couple of years. Overall, North Texas small and medium-sized business owners are optimistic about what is ahead.

COVID-19 VACCINATION EFFORTS MAKE AN IMPACT

North Texas 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, and directionally higher sales and profits than companies reporting a lower rate of employee vaccination, according to PNC's semi-annual national small business survey.

EXPECT INCREASE IN NEXT SIX MONTHS IN:	DEMAND	SALES	PROFITS
Companies reporting more than 3/4 of workers vaccinated	81%	83%	61%
Companies reporting 3/4 or fewer of their workers vaccinated	55%	72%	46%

VACCINES ARE TOP-OF-MIND FOR BUSINESS OWNERS

VACCINATION ACTIONS

Any Action (Net)	81%
Assist/Educate	48%
Require	43%
Restrict	31%
Incentivize	30%

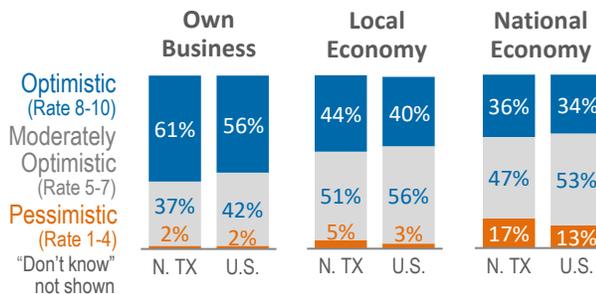
% OF WORKERS VACCINATED

Majority (Net)	74%
100%	43%
76-99%	21%
51-75%	10%
50% or less	13%
Don't know/Refused	13%

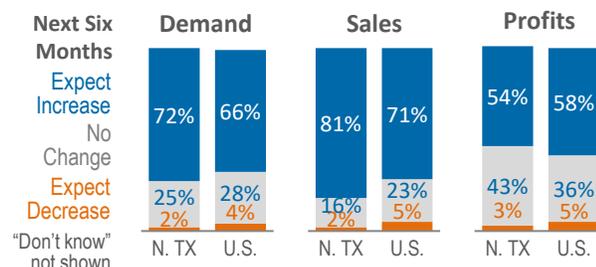
Eight in 10 North Texas businesses have taken action to encourage employee vaccination. Nearly half are providing assistance or education about vaccination and more than four in 10 are requiring employee vaccinations. Three in 10 are restricting employees who choose not to be vaccinated and a similar portion are incentivizing employees to vaccinate.

Those efforts may well be making an impact: nearly three-quarters estimate that a majority of their employees have been vaccinated.

BUSINESS OWNER OPTIMISM AND THE LOOK AHEAD



Six in 10 surveyed North Texas business leaders are optimistic about prospects for their own company. More than four in 10 are optimistic about the local and more than a third have a positive outlook about the national economy.



More than seven in 10 expect an increase in demand for their company's products or services and eight in 10 expect a sales increase. More than half expect a profit increase in the next six months.

HARD TO HIRE



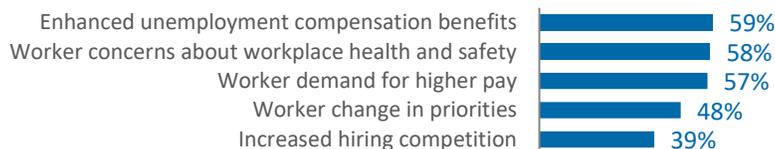
Despite the optimism among North Texas business owners, challenges remain. In the next six months 20% expect to increase the number of full-time employees, and 24% expect to increase the number of part-time employees. However, many North Texas businesses are struggling to find employees. Labor availability is the most frequently-mentioned concern, topping sales, supply chain and profitability worries that were reported as more prominent earlier in the year.

Top actions businesses are taking to retain or attract new employees include implementing employee health or safety improvements (51%), offering increased wages or salaries (50%) and allowing more flexible work arrangements (49%).

Difficulty Finding Workers

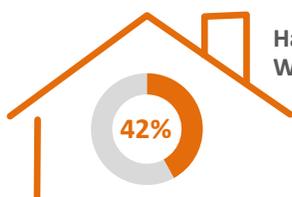


Reason for Difficulty Finding Workers



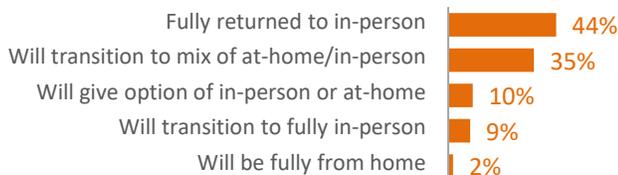
Of the one-third of North Texas businesses having difficulty finding workers, six in 10 say the cause is enhanced unemployment compensation benefits, with similar portions citing worker concerns about workplace health and safety and worker demand for higher pay. Less than half say worker change in priorities and four in 10 cite increased hiring competition.

DIFFERENT OPERATING ENVIRONMENT



Had Employees Shift to Remote Work Due to the Pandemic

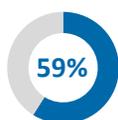
Company's Work-From-Home Situation



The nature of how many North Texas businesses operate has undergone permanent changes since the pandemic. Four in 10 had employees shift to remote work due to the pandemic.

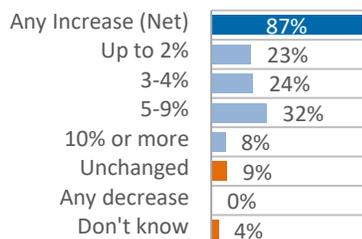
Among those who shifted to remote work, more than four in 10 have returned fully to in-person work, with another 9% expecting to transition workers back eventually. More than a third say they will transition to a mix of virtual and in-person work, while one in 10 will allow employees to choose where they work.

PRICING EXPECTATIONS AND INFLATION CONCERN



Expect to Increase Customer Prices

Expectations for Consumer Prices in Next 12 Months



Inflation is now a greater concern, as price hikes are expected to keep up with higher input and labor costs. Six in 10 North Texas business owners expect to increase their prices.

Nearly four in 10 (37%) expect to boost prices 5% or more, with favorable market conditions the reason cited by half (51%). A third (34%) cite higher non-labor costs and more than one in 10 (15%) say they are keeping up with higher labor costs.

Some of the pricing pressures are coming from anticipated supplier price increases: nearly half (46%) expect supplier price increases. These pricing dynamics have led to higher inflation expectations. Nearly nine in 10 expect increased consumer prices this year, and four in 10 (39%) expect a jump of 5% or more.