

### PNC SURVEY REFLECTS SAN ANTONIO SMALL BUSINESS OWNER OPTIMISM BUT WITH EYE ON INFLATION, RECESSION WORRIES

**ANALYSIS BY**  
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The San Antonio economy is growing strongly in the fall of 2022, and is poised for continued expansion in the months ahead. The local labor market is solid, with employment well above its pre-pandemic level, powering gains in consumer spending. With the local workforce much larger than it was before the pandemic, wage pressures are lower in San Antonio than they are in the rest of the country. Local business owners are also developing new strategies to get around labor shortages.

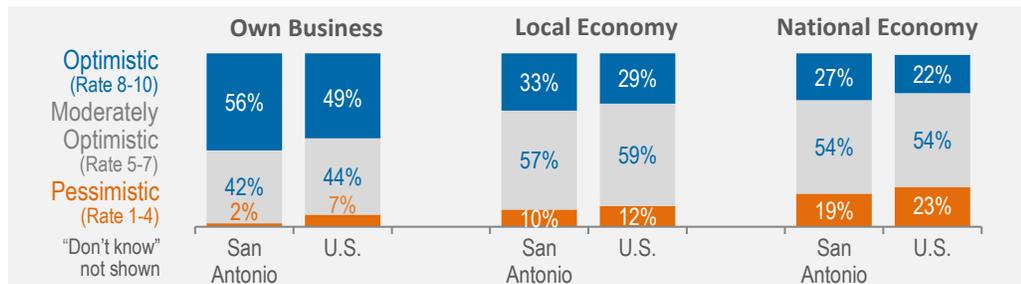
The area has a stable base of employment tied to the military and Joint Base San Antonio, helping cushion the local economy from national downturns. San Antonio's tourism-related businesses are benefiting from increased convention and leisure visits as the pandemic continues to fade. With strong job growth, an expanding population, and less upward pressure on wages, small business owners in San Antonio are more upbeat about prospects for their own businesses, including profits, and their local economy compared to business owners nationwide.

The near-term outlook for the San Antonio economy is positive, although a potential national recession is a downside risk. Homebuilding will remain strong to absorb a growing population. With stability from defense spending and continued gains in the workforce, job growth will be above the national average, the local unemployment rate will remain low, and San Antonio small businesses will continue to expand.

#### 56% HIGHLY OPTIMISTIC ABOUT OWN BUSINESS IN NEAR TERM

San Antonio small and mid-size business owners and executives have an optimistic outlook about the near-term future of their businesses as they ride out inflationary pressures, supply chain disruptions and political and geopolitical uncertainties related to the national and local economies, according to the latest PNC semi-annual Economic Outlook survey.

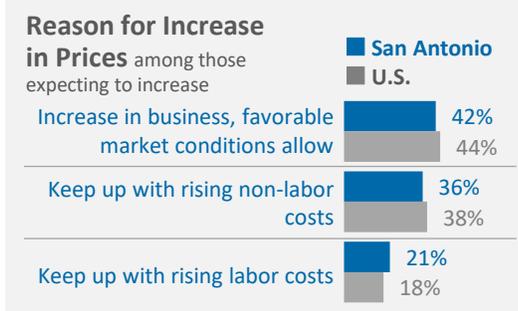
The survey showed that San Antonio business leader expectations about their own companies remain strong with more than half (56%) feeling highly optimistic – compared to the national survey (49%) – while the share of those feeling pessimistic is just 2% compared to 7% among business leaders nationally.



More than a quarter (27%) of San Antonio business leaders are highly optimistic about the national economy compared to 22% of business leaders nationally. Over half (54%) are moderately optimistic while two in 10 (19%) San Antonio leaders are pessimistic.

#### HIKING PRICES AND COPING WITH INFLATION

Concerns about inflation and the impact of price hikes on their businesses remain top of mind among San Antonio executives. Price increases are in the works for seven in 10 (69%) San Antonio businesses compared to 63% nationally. Of San Antonio businesses expecting to raise their own prices to their customers, nearly a quarter (23% vs. 36% nationally) expect to raise them by 5% or more in the next six months.



Reasons for price hikes align with owners nationally. The primary rationale for increases is favorable market conditions (42%) and keeping up with rising non-labor costs (36%). Two in 10 (21%) point to rising labor costs. Price pressures on their businesses, and elevated supplier costs and capital spending also are factors.

In addition to increasing prices for their own goods and services, six in 10, compared to 69% nationally, have indicated they are making other adjustments to address higher inflation, including cutting costs, increasing efficiency and managing cash flow.

## SUPPLY CHAIN DISRUPTIONS

Supply chain disruptions continue to be a concern for San Antonio business owners and have affected four in 10 (39%) of those relying on a supply chain, compared to 47% nationally.

To address these issues, many San Antonio businesses are using a range of strategies including stockpiling inventory (21%) and broadening the base of suppliers (20%). Other ways businesses are coping with supply chain disruptions or delays include shifting sales or delivery commitments (15%), creating exclusive supplier relationships (14%) and price hikes (11%).



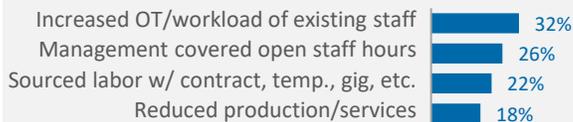
More than one in 10 (15%) relying on inventory in their supply chain are coming up short. San Antonio owners remain hopeful: more than half (53%) expect supply chain timeliness to get better in the next six months.

**Experienced Issues Accessing Materials, Products or Services**  
in past year, among those with suppliers



## ADJUSTING TO STAFF SHORTAGES

**Top Actions Taken in Response to Staffing Challenges**  
among those with staffing/hiring challenges now or past 6 months



A third (34%) of San Antonio businesses face staff shortages, compared to 41% nationally, and hiring continues to be a challenge for many. San Antonio business owners have found ways to adapt, such as shifting workloads. A third (32%) have increased overtime or workloads for existing employees and a quarter (26%) have relied on owners or managers to cover staff hours. Over two in 10 (22%) report sourcing labor through alternative sources such as temporary or gig workers and nearly two in 10 (18%) increased/ added technology or automation to cope.

## RAISES ON THE RISE

More than a third (36%) of San Antonio business leaders expect to increase employee compensation, compared to 40% nationally. One in 10 (11%) San Antonio business owners or leaders expect to continue or increase signing, retention or other bonuses in the next six months compared to more than two in 10 (23%) nationally.

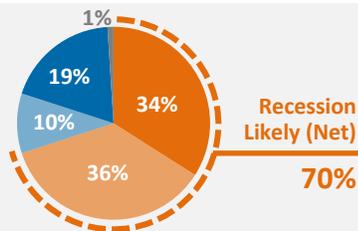
**Expect Increase in Employee Compensation**  
next 6 months



## RECESSIONARY FEARS

**Likelihood of a Recession**  
In next 12 months

- Very likely
- Somewhat likely
- Somewhat unlikely
- Not at all likely
- Don't know



San Antonio business owners are expressing concerns that a recession is on the horizon. Seven in 10 fear a recession is likely in the next 12 months similar to 69% nationally. A third (34% vs. 30% nationally) believe the likelihood of a recession in the next 12 months is very likely.

## EXPECTATIONS FOR CONSUMER PRICES

Aside from any pricing changes they expect to make in their own business, three in 10 of all San Antonio business owners expect to see consumer prices in the economy, overall, increase by 5% or more in the next 12 months. This price change expectation compares to 36% of owners nationally who expect an increase of 5% or more.

**Consumer Price Expectation**  
in next 12 months, "don't know" not shown

