

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

ANALYSIS BY
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The economic recovery in the Boston area and throughout New England from the Viral Recession continues but lags well behind the rest of the nation. Local employment fell much more in the early stages of the pandemic than it did nationally, and has been slower to recover. State and local government restrictions have helped to contain the pandemic but also have weighed on the recovery. Job growth has slowed in recent months, in part due to the resurgence in coronavirus cases from the Delta variant.

One big positive is the area's high vaccination rate, so growth should pick up in the near term as the most recent surge in the pandemic starts to recede. Local consumer industries will benefit from: above-average household incomes; increasing wealth, thanks to rising home values and stock prices; and strong demand as people look to finally spend the stimulus payments they have saved. The area's important finance, professional/business services and tech industries will benefit from a strong national economic recovery.

Although weak population growth and labor shortages will be a drag during the recovery, the area will continue to benefit from its highly skilled workforce and world-class educational and healthcare institutions that draw talent and investment from all over the world. One lingering impact will be high housing costs; the increasing prevalence of working from home could lead to an outflow of well-paid knowledge workers to less expensive locations.

COVID-19 VACCINATION EFFORTS MAKE AN IMPACT

Boston 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, 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	59%	71%	59%
Companies reporting 3/4 or fewer workers vaccinated	35%	31%	25%

VACCINES ARE TOP-OF-MIND FOR BUSINESS OWNERS

VACCINATION ACTIONS

Any Action (Net)	85%
Require	52%
Assist/Educate	40%
Restrict	32%
Incentivize	22%

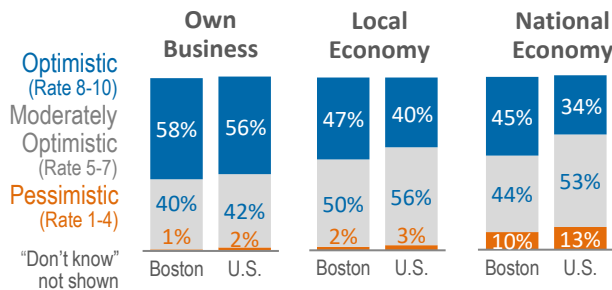
% OF WORKERS VACCINATED

Majority (Net)	85%
100%	49%
76-99%	21%
51-75%	15%
50% or less	3%
Don't know/Refused	11%

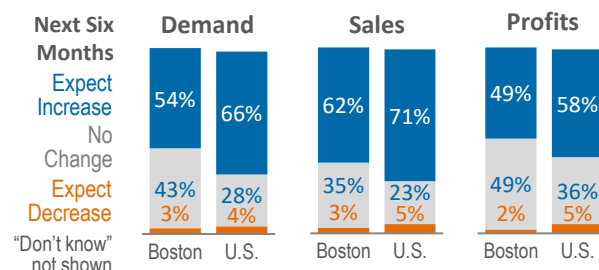
More than eight in 10 Boston businesses have taken action to encourage employee vaccination. A majority are requiring employee vaccinations and four in 10 are providing assistance or education about vaccination. A third are restricting employees who choose not to be vaccinated and more than two in 10 incentivizing employees to vaccinate.

Those efforts may well be making an impact: more than eight in 10 estimate that a majority of their employees have been vaccinated.

BUSINESS OWNER OPTIMISM AND THE LOOK AHEAD



Nearly two-thirds of surveyed Boston business leaders are optimistic about prospects for their own company. More than half are optimistic about the local and national economy.



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

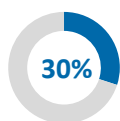
HARD TO HIRE



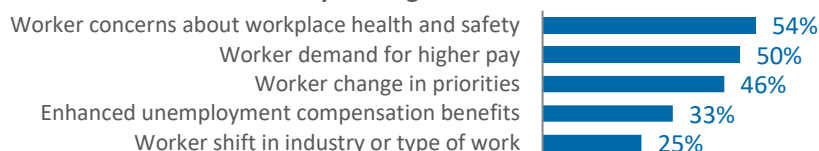
Despite the optimism among Boston business owners, challenges remain. In the next six months 13% expect to increase the number of full-time employees, and 10% expect to increase the number of part-time employees. However, many Boston businesses are struggling to find employees. Labor availability is the most frequently-mentioned concern, topping supply chain and sales 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 (46%), allowing more flexible work arrangements (43%) and offering increased wages or salaries (42%).

Difficulty Finding Workers

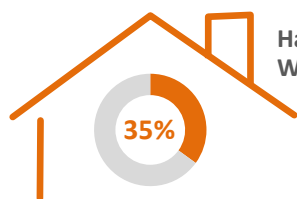


Reason for Difficulty Finding Workers



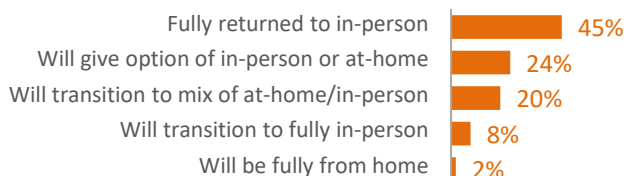
Of the three in 10 Boston businesses having difficulty finding workers, more than half say the cause is worker concerns about workplace health and safety, half say worker demand for higher pay, 46% cite worker change in priorities, a third say enhanced unemployment compensation benefits and a quarter say worker shift in industry or type of work.

DIFFERENT OPERATING ENVIRONMENT



Had Employees Shift to Remote Work Due to the Pandemic

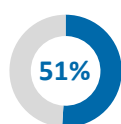
Company's Work-From-Home Situation



The nature of how many Boston businesses operate has undergone permanent changes since the pandemic. More than a third had employees shift to remote work due to the pandemic.

Among those who shifted to remote work, nearly half have returned fully to in-person work, with another 8% expecting to transition workers back eventually. A quarter will allow employees to choose where they work, while two in 10 say they will transition to a mix of virtual and in-person work.

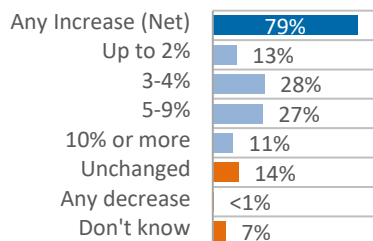
PRICING EXPECTATIONS AND INFLATION CONCERN



Expect to Increase Customer Prices

Inflation is now a greater concern, as price hikes are expected to keep up with higher input and labor costs. Half of Boston business owners expect to increase their prices.

Expectations for Consumer Prices in Next 12 Months



More than a third (35%) expect to boost prices 5% or more, with favorable market conditions the reason cited by more than four in 10 (45%). More than a third (36%) cite higher non-labor costs and two in 10 (19%) say they are keeping up with higher labor costs.

Some of the pricing pressures are coming from anticipated supplier price increases: nearly four in 10 (38%) expect supplier price increases. These pricing dynamics have led to higher inflation expectations. Eight in 10 expect increased consumer prices this year, and nearly four in 10 (38%) expect a jump of 5% or more.