

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

ANALYSIS BY

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The pandemic hit the Chicagoland economy harder than the rest of the country. The rise of remote work, people spending less time downtown, and the deep downturn in business travel made the Windy City's recession longer and deeper than most of the rest of the country. The wave of retirements that hits Chicago with every economic downturn was especially severe this time around, further slowing the recovery.

As the pandemic begins to regress, Chicago's silver lining will be that it has room to recover faster and further than other parts of the country. Just as they did for generations before this crisis, immigrants and young people from across the Midwest will flow into one of America's most dynamic and exciting economic, cultural, and political centers.

One big difference between the coming economic expansion and the recovery from the 2008-2009 recession is the current strength of Chicago's housing market and significant increases in home prices at near their historic highs. The rise in home prices will mean more home equity on Chicagoans' household balance sheets, and more consumer spending power that will fuel demand for the local economy.

The pandemic has exerted unique pressures on Chicago's manufacturers. By shifting consumer spending toward goods and away from services, demand has been extremely strong while supply has been constrained by supply chain disruptions and labor shortages. Chicago's deep labor market and highly skilled workforce will help its manufacturers adapt to these challenges and emerge out of the crisis.

COVID-19 VACCINATION EFFORTS MAKE AN IMPACT

Chicago business owners are feeling optimistic about the near-term future of their businesses amid increasing vaccination rates, and those who report all 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 all of their workers vaccinated	73%	78%	61%
Companies reporting not all of their workers vaccinated	41%	61%	39%

VACCINES ARE TOP-OF-MIND FOR BUSINESS OWNERS

VACCINATION ACTIONS

Any Action (Net)	85%
Require	54%
Assist/Educate	43%
Incentivize	23%
Restrict	20%

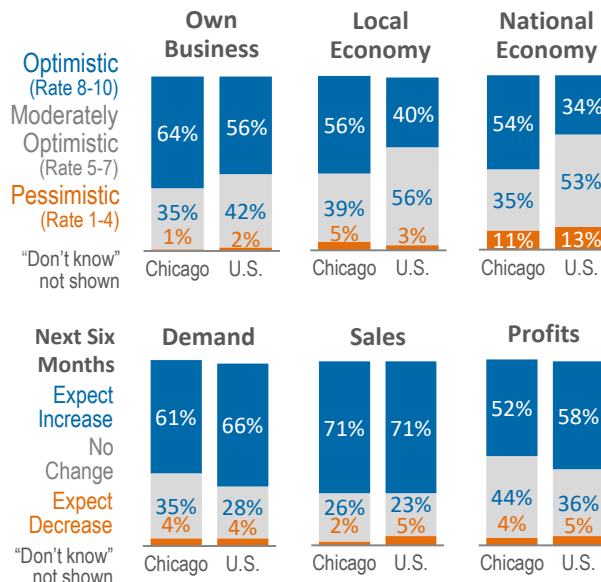
% OF WORKERS VACCINATED

Majority (Net)	85%
100%	56%
76-99%	16%
51-75%	14%
50% or less	9%
Don't know/Refused	5%

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

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 Chicago business leaders are optimistic about prospects for their own company. More than half are optimistic about the local and national economy.

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

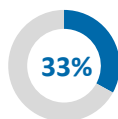
HARD TO HIRE



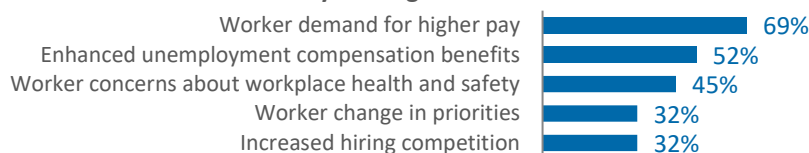
Despite the optimism among Chicago business owners, challenges remain. In the next six months 19% expect to increase the number of full-time employees, and 12% expect to increase the number of part-time employees. However, many Chicago businesses are struggling to find employees. Labor availability is a current concern for nearly two in 10 (18%), double the portion who were concerned earlier in the year (9%).

Top actions businesses are taking to retain or attract new employees include implementing employee health or safety improvements (48%), allowing more flexible work arrangements (45%) and offering increased wages or salaries (44%).

Difficulty Finding Workers

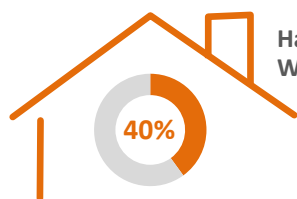


Reason for Difficulty Finding Workers



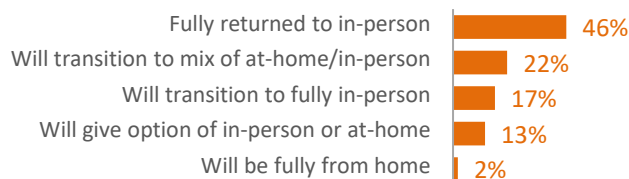
Of the one-third of Chicago businesses having difficulty finding workers, more than two-thirds say the cause is worker demand for higher pay, more than half say enhanced unemployment compensation benefits, 45% cite worker concerns about workplace health and safety, a third say worker change in priorities and the same portion say increased hiring competition.

DIFFERENT OPERATING ENVIRONMENT



Had Employees Shift to Remote Work Due to the Pandemic

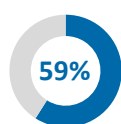
Company's Work-From-Home Situation



The nature of how many Chicago 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, nearly half have returned fully to in-person work, with another 17% expecting to transition workers back eventually. More than two in 10 say they will transition to a mix of virtual and in-person work, while more than one in 10 will allow employees to choose where they work.

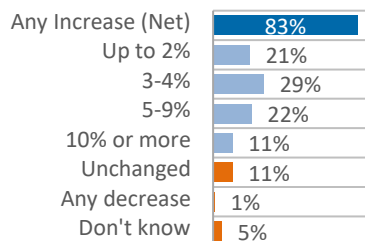
PRICING EXPECTATIONS AND INFLATION CONCERN



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. Six in 10 Chicago business owners expect to increase their prices.

Expectations for Consumer Prices in Next 12 Months



A third (32%) expect to boost prices 5% or more, with favorable market conditions the reason cited by more than half (52%). A quarter (25%) cite higher non-labor costs and a similar portion (23%) say they are keeping up with higher labor costs.

Some of the pricing pressures are coming from anticipated supplier price increases: more than four in 10 (44%) expect supplier price increases. These pricing dynamics have led to higher inflation expectations. More than eight in 10 expect increased consumer prices this year, and a third (33%) expect a jump of 5% or more.