

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

ANALYSIS BY

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The economic recovery from the Viral Recession in Nashville and central Tennessee has been stronger than the national average, although job growth has slowed somewhat in recent months. Despite strong underlying economic fundamentals, the Nashville area currently is heavily exposed to two major areas of weakness: the Delta variant and global supply chain disruptions. Nashville's very important travel and tourism industry had been experiencing a comeback but suffered a setback over the summer as rising concerns about the coronavirus weighed on visits to the area. At the same time a shortage of computer chips caused production cuts for cars and trucks manufactured in Nashville.

COVID-19 cases are starting to decline, and supply chains should gradually normalize. Tourism to Nashville should pick up as the pandemic recedes and consumers begin to go on vacation again. Auto sales will rebound once the automakers have the needed parts. Both industries will be supported by high household savings thanks to stimulus payments. Nashville area businesses are reporting labor shortages, but those should ease as potential workers feel more comfortable returning to the workforce. Strong job growth will continue to support population gains, homebuilding and consumer industries. Strong house price growth also will support local consumer spending.

The last 18 months have been challenging for Middle Tennessee residents. On top of the global pandemic, tornadoes and unprecedented floods have tested the region, but a deep talent pool and highly skilled workforce will help Nashville overcome these obstacles.

COVID-19 VACCINATION EFFORTS MAKE AN IMPACT

Nashville business owners are feeling optimistic about the near-term future of their businesses amid increasing vaccination rates, and those who report more than three-quarters of their workforce has been vaccinated are the most positive about their business outlook. This includes expectations for higher profits and higher optimism about the prospects for their business compared to companies reporting a lower rate of employee vaccination, according to PNC's semi-annual national small business survey.

	EXPECT PROFIT INCREASE	OPTIMISTIC ABOUT BUSINESS PROSPECTS
IN THE NEXT SIX MONTHS: Companies reporting more than 3/4 of workers vaccinated	57%	66%
Companies reporting 3/4 or fewer of their workers vaccinated	30%	54%

VACCINES ARE TOP-OF-MIND FOR BUSINESS OWNERS

VACCINATION ACTIONS

Any Action (Net)	87%
Require	48%
Assist/Educate	43%
Restrict	39%
Incentivize	33%

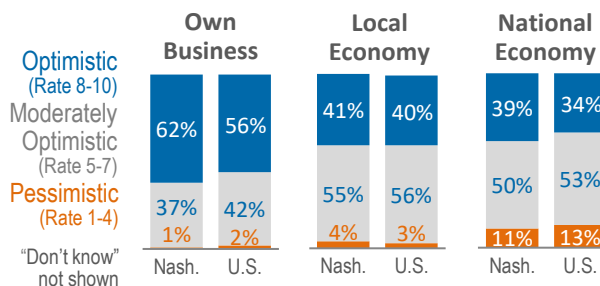
% OF WORKERS VACCINATED

Majority (Net)	80%
100%	50%
76-99%	22%
51-75%	7%
50% or less	14%
Don't know/Refused	6%

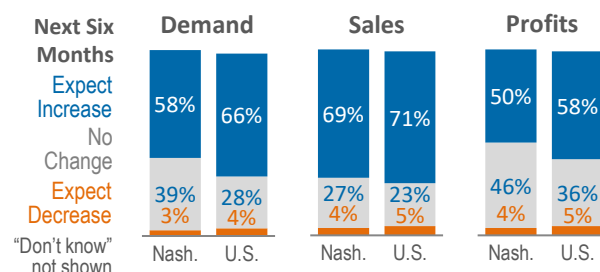
Nearly nine in 10 Nashville businesses have taken action to encourage employee vaccination. Nearly half are requiring employee vaccinations and more than four in 10 are providing assistance or education about vaccination. Four in 10 are restricting employees who choose not to be vaccinated and a third are incentivizing employees to vaccinate.

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

BUSINESS OWNER OPTIMISM AND THE LOOK AHEAD



More than six in 10 surveyed Nashville business leaders are optimistic about prospects for their own company. Four in 10 are optimistic about the local and national economy.



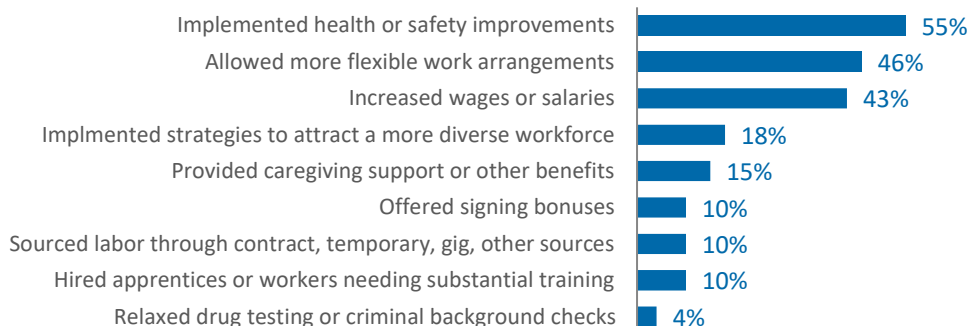
Nearly six in 10 expect an increase in demand for their company's products or services and seven in 10 expect a sales increase in the next six months.

HARD TO HIRE



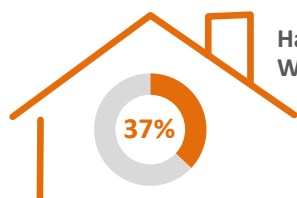
Despite the optimism among Nashville business owners, challenges remain. In the next six months 10% expect to increase the number of full-time employees, and 9% expect to increase the number of part-time employees. However, many Nashville businesses are struggling to find employees. Labor availability is a current concern for 15%, nearly double the portion who were concerned earlier in the year (8%). Nearly two in 10 (18%) Nashville businesses report having difficulty finding workers.

Actions Taken Since the Start of the Pandemic to Retain Existing or Attract New Employees

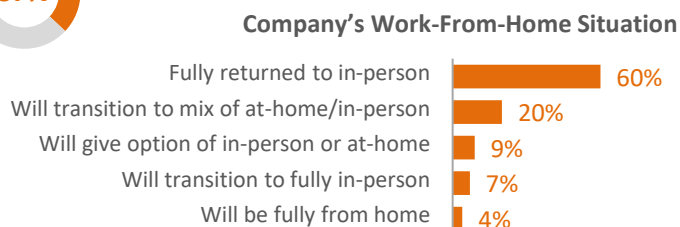


Top actions Nashville businesses are taking to retain or attract new employees include implementing employee health or safety improvements, allowing more flexible work arrangements and offering increased wages or salaries.

DIFFERENT OPERATING ENVIRONMENT



Had Employees Shift to Remote Work Due to the Pandemic

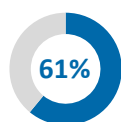


Company's Work-From-Home Situation

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

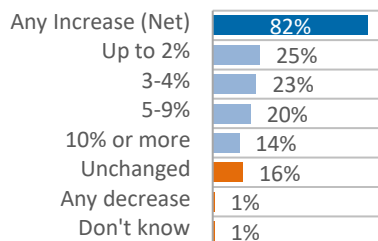
Among those who shifted to remote work, six in 10 have returned fully to in-person work, with another 7% expecting to transition workers back eventually. Two in 10 say they will transition to a mix of virtual and in-person work, while one in 10 will allow employees to choose where they work.

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 Nashville 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 more than four in 10 (42%). Three in 10 (30%) cite higher non-labor costs and a similar portion (28%) 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. More than eight in 10 expect increased consumer prices this year, and a third (34%) expect a jump of 5% or more.