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PNC SURVEY SHOWS SMALL BUSINESS OWNERS SEE BRIGHT FUTURES FOR THEIR OWN BUSINESSES

- Nearly six in 10 small and mid-sized business owners are highly optimistic about their own company's prospects in the next six months, a survey high.
- Almost two-thirds believe business conditions in the U.S. will improve.
- Fewer business owners plan to increase their own prices to customers by 5% or more than in 2022.

PITTSBURGH, Feb. 27, 2023 – Based on the results of PNC's latest semi-annual survey of small and mid-sized businesses, which concluded Feb. 6, it appears that resilient business owners are defying predictions of an economic downturn later this year. In fact, business owner optimism about the outlook for their own businesses in the next six months has reached a 20-year survey high.

Six in 10 business leaders feel highly optimistic about the prospects for their own company despite remaining cautious about the national and their local economies. The gap between optimism for their company versus the broader U.S. economy is now at a survey high of 34 percentage points, nearly double the historic survey average (18 percentage points).

The survey, now in its 21st year, also revealed that leaders are expecting a better overall business environment with nearly two-thirds (63%) expressing belief that business conditions in the U.S. will improve in the next six months and a majority (58%) expecting to see sales increases in the same timeframe.

"Although we expect the Federal Reserve to continue to raise interest rates in the spring of 2023 and economic growth is slowing, businesses remain optimistic about their own near-term prospects. In particular, business owners are finding that strong market conditions are prompting decisions to raise prices for the goods and services they offer," said Gus Faucher, chief economist of The PNC Financial Services Group.

Business owners also see an easing in pricing pressures. Fewer businesses than in the last three waves of the semi-annual survey report that they plan to increase their own prices to customers by 5% or more in the next six months. In addition, fewer than half (47%) anticipate supplier prices to increase in the next six months, down from over half (53%) last fall and returning to a level similar to a year ago (46%). Fewer businesses (21%) expect consumer price increases of 5% or more in the U.S. economy, overall, compared to last fall (36%).

Supply chain concerns also are declining. More businesses expect supply chain timeliness to improve compared to six months ago, and fewer are experiencing inventory shortages. While supply chain disruptions remain the top worry for two in 10 (18%) owners, this area of concern no longer stands out significantly from others, and in fact, matches the proportion primarily concerned about the cost of materials (18%).

“It is clear that inflationary pressures are easing. Businesses are finding it easier to obtain materials and supplies, inventory levels are returning to normal, and businesses are expecting inflation to slow. But with the tight job market, labor costs remain a concern,” Faucher said.

The portion of business owners expecting to increase their number of full-time employees declined from six months ago, while the difficulty in hiring remains constant. Specifically, a little more than one in 10 (13%) business owners expect to increase their number of full-time employees over the next six months, down from two in 10 (21%) last fall and a year ago (20%). A similar portion (15%) expect to increase the number of part-time employees over the same timeframe, unchanged from last fall and up from 8% a year ago.

Among businesses actively hiring employees, more than one-third (36%) say it's become harder to hire qualified candidates over the past six months, similar to last fall (39%) and last spring (36%). The most common barrier among those having difficulty hiring is the lack of applicants (47%). Other challenges facing business leaders experiencing difficulty in hiring qualified employees include candidates' lack of job-related skills or experience (22%) and compensation requirements that are higher than the business can afford to pay (19%).

Other findings in the survey include:

- **Quest for Credit:** Nearly two in 10 (17%) business owners expect to request a loan or line of credit in the next six months, up from last fall (6%) and a year ago (11%). Among the eight in 10 unlikely to request a loan or line of credit, more than three-quarters (77%) say they have no need for funds; one-quarter are hesitant to take on debt, less than two in 10 (16%) feel the cost of credit is too high and only a few (8%) have a concern about the loan process or the ability of the business to qualify.
- **Preparing for Cash Flow Issues:** Three-quarters (74%) of businesses are currently maintaining an emergency cash reserve fund, up sharply from 58% last fall. Among businesses with an emergency reserve, half consider the amount to be about average (50%), similar to last fall (54%), while four in 10 say their current reserves are higher than what is typical for the business (41%), an increase since last fall (28%). Construction businesses are among those most likely to report higher reserves than normal (56%), particularly compared to 35% of service and 38% of retail/wholesale industry businesses.

Full national and regional survey results are available at pnc.mediaroom.com.

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Methodology

The PNC Economic Outlook survey was conducted by telephone from 1/3/2023 to 2/6/2023, among small and mid-sized businesses with self-reported revenue of \$100,000 to \$250 million. 500 interviews were conducted nationally. Sampling error for the nationwide results is +/- 4.4% at the 95% confidence level. The survey was conducted by Artemis Strategy Group (www.ArtemisSG.com), a communications strategy research firm specializing in brand positioning and policy issues. The firm, headquartered in Washington D.C., provides communications research and consulting to a range of public and private sector clients.

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