

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

### ANALYSIS BY PNC SENIOR ECONOMIST **ABBEY OMODUNBI**

Our spring 2023 survey shows that small and medium-sized business owners across Indiana are highly optimistic about their business prospects over the next six months. Sixty percent of small to medium-sized Indiana business owners expect an increase in sales over the next six months, the same share nationally. Also, 51% of Indiana business owners expect an increase in profits over the next six months, the same share as national business owners. However, business owners surveyed are less optimistic about the regional labor market as 8% of

Indiana business owners expect an increase in hiring over the next six months compared to 13% nationally.

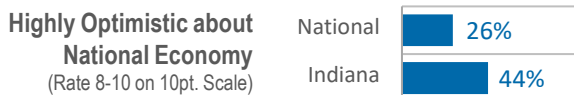
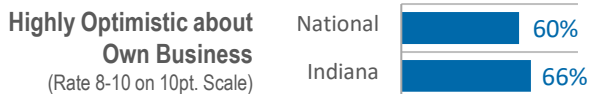
Indiana's economy has made a full recovery from the Viral Recession with real gross domestic product 4% above the pre-pandemic level as of the third quarter of 2022. Employment at the end of 2022 in Indiana was 1.2% above the pre-pandemic level. Manufacturing continues to be a big driver of the regional economy and it played a massive role in its recovery from the Viral Recession. Indiana's economy strengthened in 2020 and 2021 as U.S.

consumers increased spending on durable goods and spent less on services.

However, economic activity is set to slow in the region this year as the Federal Reserve continues to raise interest rates to slow inflation that is well above the Federal Reserve's 2% objective. In addition, a shift in consumer spending away from goods to services will weigh on Indiana's manufacturing sector. Over the longer run, Indiana's economy will be supported by solid positive demographic trends and increased onshoring.

### TWO-THIRDS HIGHLY OPTIMISTIC ABOUT OWN BUSINESS IN NEAR TERM

Based on the results of PNC's latest semi-annual survey of small and mid-sized businesses, which concluded March 3, resilient Indiana business owners appear to be defying predictions of an economic downturn later this year.



Two-thirds of Indiana business leaders feel highly optimistic about the prospects for their own company in the next six months despite remaining cautious about the national economy (44% highly optimistic vs. 26% nationwide) and their local economy (39% highly optimistic vs. 30% nationwide). The gap between Indiana business leaders' optimism for their company versus the broader U.S. economy is 22 percentage points, indicating a strong divide between the prospects for their own business and expectations for the broader economy.

The survey also revealed that Indiana business leaders are expecting a better business environment with nearly half (48%) expressing belief that business conditions in the U.S. will improve in the next six months, but lower than the level nationally (63%).

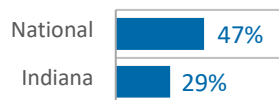
Six in 10 Indiana business leaders (60% vs. 58% nationwide) expect to see sales increases in the next six months. Amid these positive expectations more than three-quarters (77%) are very confident about the future success of their business.

### PRICING PRESSURES EASE

**Expect to Increase Prices to Customers**  
in next 6 months

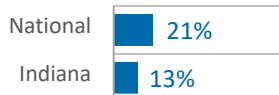


**Expect Supplier Prices to Increase**  
in next 6 months



Indiana business leader pricing expectations are below national survey measures which are down from levels recorded last fall. Nearly four in 10 (37%) Indiana business leaders expect to increase prices in the next six months, compared to the national level (55%) which declined since last fall (63%). In addition, three in 10 (29%) anticipate supplier price increases in the next six months compared to 47% nationally which dropped from 53% six months ago.

**Expect Consumer Price Increases of 5% or More**  
during the next 12 months



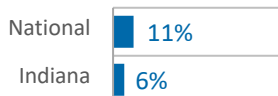
Over one in 10 (13%) Indiana businesses owners expect consumer price increases of 5% or higher in the U.S. economy, overall, compared to two in 10 (21%) nationally which is down from over one-third (36%) last fall.

## SUPPLY CHAIN CONCERNS DECLINE

**Expect Better Supply Chain Timeliness** vs. 6 months ago, among those w/ supply chain



**Expect Inventory Shortage** in next 6 months, among those with inventory

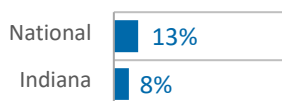


A third (34%) of Indiana businesses with a supply chain expect the timeliness to improve in the next six months, compared to 56% of businesses nationwide; only 1% of Indiana leaders expect it to get worse. Few (6%) of those who carry inventory are coming up short, compared to the portion of businesses nationally (11%), which is down from 30% last fall and 28% a year ago.

Few (4%) Indiana business owners consider supply chain disruptions a top worry, far behind sales (26%), costs of materials (23%) and labor cost (16%). Nationally, the two in 10 (18%) businesses with supply chain concern is down from one-quarter last fall and three in 10 (31%) a year ago, and now at the same level as those concerned about material cost (18%).

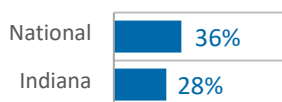
## HIRING BARRIERS

**Expect to Increase Full-Time Employees** in next 6 months



Fewer than one in 10 (8%) Indiana business owners expect to increase their number of full-time employees over the next six months, compared to the portion measured nationwide (13%) which is down from two in 10 (21%) last fall and a year ago (20%). Fewer (6%) Indiana businesses expect to increase the number of part-time employees over the same timeframe, a smaller portion than the 15% of businesses nationally.

**Harder to Hire Qualified Employees** vs. 6 months to a year ago, among those hiring

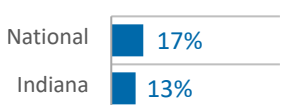


Among Indiana businesses actively hiring employees, nearly three in 10 (28%) say it's become harder to hire qualified candidates over the past six months, compared to 36% nationwide.

Nearly one-quarter (23%) of Indiana business leaders expect to increase compensation or wages paid to employees in the next six months, similar to the portion measured nationally (24%) which is a drop from last fall (40%). Fewer than one in 10 (7%) Indiana business leaders expect the number of hours worked per week by their employees to increase in the next six months, compared to 11% nationwide which was a decline from the level recorded six months ago (20%).

## QUEST FOR CREDIT

**Expect to Seek Loan or Line of Credit** in next 6 months



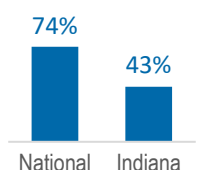
More than one in 10 (13%) Indiana business owners expect to request a loan or line of credit in the next six months, compared to 17% of business owners across the U.S. which is up from 6% last fall.

Among the nearly nine in 10 (87%) Indiana business leaders unlikely to seek credit:

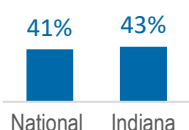
- **92%** say they have no need for funds (77% nationally)
- **19%** are hesitant to take on debt (25% nationally)
- **16%** feel the cost of credit is too high (16% nationally)
- **5%** have concern about loan processes or ability of the business to qualify (8% nationally)

## PREPARING FOR CASH FLOW ISSUES

**Maintain Emergency Cash Reserve Fund**



**Higher Reserve than Typical for Business** among those with a reserve



Fewer than half (43%) of Indiana businesses are currently maintaining an emergency cash reserve fund, compared with three-quarters (74%) nationwide. Among the Indiana businesses with an emergency reserve, nearly half (46%) with a reserve consider the amount to be about average, compared to half of businesses nationally. More than four in 10 (43%) Indiana business leaders with a reserve consider the amount higher than what is typical for their company, compared to four in 10 (41%) businesses across the U.S.