



NORTH TEXAS BUSINESS OWNER OPTIMISM SPIKES WHILE CONCERNS LINGER OVER HIRING, NEW PNC SURVEY SHOWS

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North Texas is in a position of strength on all economic fronts, validating business leaders' expectations and their 74% optimism about their own businesses over the next six months. Employment gains in North Texas over the past year were the strongest in the United States, considering the size and growth of the Dallas - Fort Worth metropolitan statistical area. The North Texas unemployment rate of 3.7% is closing in on all-time lows. Labor scarcity has dominated other markets, but strong labor gains over the past two years have provided an ample workforce for North Texas businesses.

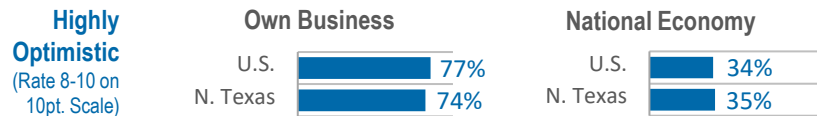
Professional and business service industries in North Texas are among the strongest, boasting 23% more workers than before the pandemic's disruption. This compares to a national improvement of 7% over the same period and demonstrates the attractiveness of North Texas as an employment destination. Average wage growth in the market was near 5% year-over-year through mid-2023, despite an ample labor force and already above-average wages versus state and national averages.

Household finances are stable in North Texas and should support continued consumer spending through the second half of 2023. Although personal bankruptcy filings have risen since mid-2022, they remain near historically low levels. North Texas home values, which act as a proxy for household financial strength, followed the national trend and were lower through the second half of last year but are again on the rise. Renewed home price gains should support consumer confidence and provide North Texas businesses with steady revenue prospects.

74% OF NORTH TEXAS OWNERS OPTIMISTIC ABOUT BUSINESS PROSPECTS

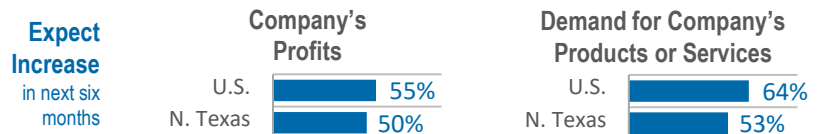
PNC's latest semi-annual survey of small and mid-sized businesses shows that North Texas business owner optimism about the outlook for their own businesses in the next six months is similar to the national measure, a 21-year high, amid strong expectations for sales, profits and demand.

Despite many economists' predictions for a shallow recession by early 2024, U.S. business leaders' hopes about their own companies have risen sharply this fall, with over three-quarters (77%) feeling highly optimistic compared to 49% last fall and 60% in spring. North Texas business leaders are similarly optimistic about their own businesses (74%).



U.S. owners' outlook for the national, local and global economy has also improved significantly over last spring and fall. Almost half (47%) are highly optimistic about the local economy, compared 29% last fall. A third (34%) are highly optimistic about the national economy compared to 22% a year ago. Similar portions of North Texas business owners are highly optimistic about the national economy (35%) and their local economy (46%). Two-thirds in North Texas (66%, U.S. 65%) attribute their greater optimism for their business to confidence in their ability to run it.

Half or more North Texas business owners expect an increase in profits (50%) and demand (53%) in the next six months. National profit and demand expectations are higher than a year ago with 55% expecting profits to rise (46% last fall) and 64% expecting an increase in demand (57% last fall).



HIRING ON HOLD



Nearly nine in 10 North Texas employers (87%, U.S. 90%) intend to hold steady on hiring with 12% planning to increase their staffing and just 1% expecting layoffs. Among businesses looking to hire employees, more than a third (36%, U.S. 35%) say it's become harder to hire qualified employees over the past six months, with national levels similar to last spring (36%) and a year ago (39%). The most common reason North Texas employers say it has become harder to hire is candidates' lack of experience or skills (45%, U.S. 22%). Other reasons cited are a lack of applicants (29%, U.S. 49%), high salary/benefit requirements (14%, U.S. 14%), and applicant inability to meet legal/security requirements (8%, U.S. 6%).

INFLATION EXPECTATIONS

Expect to Increase Prices to Customers in next six months



As inflation has eased over the last year, so have owners' expectations on raising prices. Nationally, more than half (55%) of businesses say they expect to increase prices in the next six months, unchanged from last spring but significantly fewer than a year ago (63%). Nearly half (48%) of North Texas business leaders also expect to raise customer prices.

Favorable market conditions top the list of justifications for increasing customer prices among North Texas business owners (48%) and nationwide (38%). More than a quarter (28%) of North Texas businesses raised prices to keep up with rising labor costs compared to 32% nationally. A quarter of North Texas businesses (24%) are keeping up with rising non-labor costs compared to 29% nationwide.

Expect to Increase Prices to Customers by 5% or More



Nationally, fewer expect their price increases to be 5% or more as compared to last fall (25% vs. 36% in fall 2022) while 56% are expecting a more moderate raise of 3% to 4%, significantly up from a year ago (38%). Three in 10 (29%) North Texas owners plan to increase prices 5% or more and 44% are expecting to raise them 3% to 4%.

Six in 10 North Texas owners (60%, U.S. 65%) expect Fed rate hikes to have an effect on their business over the next year, including 37% (U.S. 31%) who anticipate rate increases will put pressure on profits.

SUPPLY CHAIN CONCERNS ABATE



Nationally, business leaders' top concern for their business in the next six months has shifted from supply chain disruptions to costs. Nearly a quarter (23%) are most concerned about the cost of materials, up from 9% last fall, while 14% are most concerned about labor costs, up from 4% last fall.

North Texas business leaders are also concerned about costs with nearly two in 10 (18%) most concerned about material costs and 15% most concerned about labor costs. Sales concerns are more prominent in North Texas, with nearly two in 10 (15%) concerned about sales, compared to 7% nationally.

EMPLOYEE STRATEGIES

Over a quarter (27%) North Texas business leaders expect to increase employee compensation, compared to 33% nationally. More than a third of North Texas employers (35%, U.S. 43%) report increased compensation requirements among their workforce and a quarter (25%, U.S. 38%) say the need for flexible hours or remote work has increased.

Expect to Increase Employee Compensation in the next six months



North Texas employers are taking a variety of measures to attract and retain employees: 31% have changed benefit packages; 30% have standardized flexible work options and 22% have standardized their hiring, promotion or compensation practices.

FLEXIBILITY REMAINS TOP OF MIND

Flexible Work Arrangements are Important to the Business among those with employees



A majority (53%) of North Texas employers say flexible work arrangements are important to the business. Among those who have standardized flexible work options and consider flexible work arrangements important to their business, 55% of North Texas employers, and 60% nationally, say it helps attract and retain employees. Nearly half of North Texas employers believe their policies enhance the reputation of the business (49%, U.S. 38%).

SEEKING ARTIFICIAL INTELLIGENCE

Believe Artificial Intelligence (AI) Could Be Useful to Own Business



A quarter (25%) of North Texas business owners believe Artificial Intelligence (AI) applications could be useful to their business compared to a third (33%) nationally. Among those who consider AI useful, a quarter (25%, U.S. 44%) are already using AI applications, while half (50%, U.S. 45%) are evaluating or planning to implement applications in the next year or two.