



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

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Ohio is in a position of strength on all economic fronts, validating business leaders' expectations and their 72% optimism about their own businesses over the next six months. The state has been breaking records in the post-pandemic economy since April, when Ohio's now historic unemployment rate dropped to 3.7% for the first time since 1976, when the U.S. Bureau of Labor Statistics first started tracking. With a diversified economy, Ohio is benefitting from growth in trade, transportation and utilities, and business and professional services, and earlier this year employment surpassed its pre-recession peak.

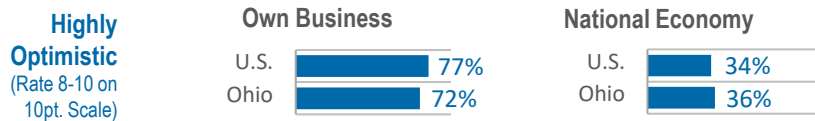
Thousands of well-paying positions are on the way to Ohio with several large companies starting construction on multibillion-dollar projects. With the state's tight labor market, wage growth is faster than the national average, and above the rate of inflation. Rising real wages are allowing Ohio consumers to increase their spending.

PNC's baseline forecast is for short and mild recessions for both the nation and in Ohio, starting in the first half of 2024, as high interest rates remain a drag on business investment, consumer spending on manufactured goods, and housing. The state will experience mild job losses and a slight increase in the unemployment rate before the economy starts to turn around in the second half of 2024, as the Federal Reserve cuts interest rates and economic growth resumes. Although the baseline forecast is for recession, there is still a roughly 45% probability that the U.S. and Ohio economies can avoid near-term recessions.

72% OF OHIO OWNERS OPTIMISTIC ABOUT BUSINESS PROSPECTS

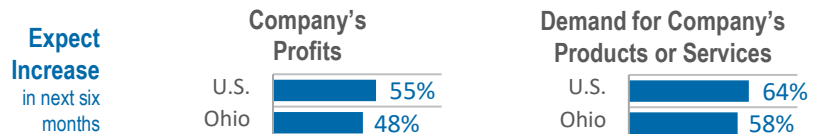
PNC's latest semi-annual survey of small and mid-sized businesses shows that Ohio business owner optimism about the outlook for their own businesses in the next six months is similar to the national measure, a 21-year high, amid strong expectations for sales, profits and demand.

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. Ohio business leaders are similarly optimistic about their own businesses (72%).



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 Ohio business owners are highly optimistic about the national economy (36%) and their local economy (47%). Two-thirds in Ohio (66%, U.S. 65%) attribute their greater optimism for their business to confidence in their ability to run it.

Nearly half (48%) of Ohio business owners expect an increase in profits and nearly six in 10 expect an increase in demand (58%) 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

Expect # of Full-Time Employees to Stay the Same in next six months



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



Over nine in 10 Ohio employers (92%, U.S. 90%) intend to hold steady on hiring with 7% planning to increase their staffing and just 2% 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 Ohio employers say it has become harder to hire is a lack of applicants (41%, U.S. 49%). Other reasons cited are candidates' lack of experience or skills (26%, U.S. 22%), high salary/benefit requirements (16%, U.S. 14%), and applicant inability to meet legal/security requirements (10%, U.S. 6%).

INFLATION EXPECTATIONS

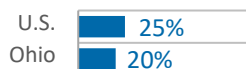
Expect to Increase Prices to Customers in next six months



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%). More than half (52%) of Ohio business leaders also expect to raise customer prices.

Favorable market conditions top the list of justifications for increasing customer prices among Ohio business owners (41%) and nationwide (38%). More than a quarter (28%) of Ohio businesses raised prices to keep up with rising labor costs compared to 32% nationally. Three in 10 Ohio businesses (31%) 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%). Two in 10 (20%) Ohio owners plan to increase prices 5% or more and 46% are expecting to raise them 3% to 4%.

Six in 10 Ohio owners (60%, U.S. 65%) expect Fed rate hikes to have an effect on their business over the next year, including 26% (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.

Ohio business leaders are also concerned about costs with two in 10 (21%) most concerned about material costs and 17% most concerned about labor costs. Among Ohio business leaders, 14% are concerned about profitability, compared to 11% nationally.

EMPLOYEE STRATEGIES

A quarter (25%) Ohio business leaders expect to increase employee compensation, compared to 33% nationally. More than a third of Ohio employers (35%, U.S. 43%) report increased compensation requirements among their workforce and more than a quarter (28%, U.S. 38%) say the need for flexible hours or remote work has increased.

Expect to Increase Employee Compensation in the next six months



Ohio employers are taking a variety of measures to attract and retain employees: 33% have standardized flexible work options; 26% have standardized their hiring, promotion or compensation practices and 24% have changed benefit packages.

FLEXIBILITY REMAINS TOP OF MIND

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



Half (50%) of Ohio 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, 66% of Ohio employers, and 60% nationally, say it helps attract and retain employees. More than a third of Ohio employers believe their policies enhance the reputation of the business (36%, U.S. 38%).

SEEKING ARTIFICIAL INTELLIGENCE

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



A quarter (24%) of Ohio 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 third (32%, U.S. 44%) are already using AI applications, while more than half (55%, U.S. 45%) are evaluating or planning to implement applications in the next year or two.