

# PHILADELPHIA BUSINESS OWNERS REMAIN OPTIMISTIC ABOUT ECONOMY ACCORDING TO PNC SURVEY

### ANALYSIS BY PNC CHIEF ECONOMIST

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The Philadelphia area economy continues to see job growth close to the national average heading into the end of 2024. The Delaware Valley's important education and health services industry remains the key driver, with solid job gains thanks to strong demand for healthcare with an aging population and the area's worldclass colleges and universities, healthcare systems, and research facilities. Growth is weaker in professional and business services, however, with employment flat for the past two years. Job growth continues in leisure/hospitality services as solid national consumer fundamentals drive tourism to Philadelphia, but employment in the local industry is only back to its pre-pandemic level.

With the area's unemployment rate below 4%, lower than the national rate, more Philadelphia area employers (43%) expect to increase employee compensation over the next six months than at the national level (37%). Additionally, the tight local labor market may explain local businesses' greater demand for credit and stronger plans for capital spending compared to the rest of the U.S. Local firms may be investing in technologies to make their existing workforces more productive, rather than counting on being able to hire more workers; near-term hiring plans for Philadelphia businesses are somewhat below the national average.

With strong ties to the national economy and a forecast for continued U.S. growth, the Philadelphia economy will expand further in the near term. Job growth will slow, however, due to both the tight local labor market and softer national growth from the lagged impact of high interest rates. The Philadelphia economy will avoid recession, however, and growth should pick up later next year as lower interest rates eventually boost national growth.

### MAJORITY OPTIMISTIC ABOUT THE NATIONAL ECONOMY

**Highly Optimistic about:**  
(Rate 8-10 on 10pt. Scale)



PNC's latest semi-annual survey of small and mid-sized businesses finds Philadelphia business owner optimism similar to national levels which remain high, lending support to PNC's forecast of a soft landing for the U.S. economy.

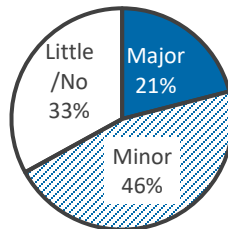
Six in 10 Philadelphia owners are highly optimistic about the national economy, similar to the national level (56%) which is just above last spring (55%) and up significantly from a year ago (34%). Six in 10 in Philadelphia are also optimistic about their local economy, much like owners nationally (62%). Three in 10 (31%) are optimistic about the global economy, compared to 39% of owners nationally.

Nearly eight in 10 (78%) Philadelphia owners are optimistic about the prospects for their own business, compared to three-quarters nationally (76%). This measure is consistent with levels six months (79%) and a year ago (77%), but significantly higher than the survey's historical average of 39%.

**Highly Optimistic about Own Business**  
(Rate 8-10 on 10pt. Scale)



### U.S. Economy's Impact on Own Business



And while recession concerns have crept into the economic rhetoric, only two in 10 (21%) Philadelphia business owners think the impact of the U.S. economy on their own business is major, with the majority feeling the impact is either minor (46%) or of little or no impact (33%). Nationally, 33% of owners consider the impact major, 43% minor and 24% say the U.S. economy has little or no impact on the business.

### OWNERS EXPECT AN INCREASE IN DEMAND IN THE NEXT SIX MONTHS

Six in 10 (61%) of Philadelphia businesses expect an increase in demand for their products or services in the next six months. Two thirds (64%) of U.S. businesses expect demand to rise, up from last spring (56%), matching the level from a year ago.

**Expect Increase in Demand for Company's Products or Services**  
in next six months



To meet demand, nearly half (45%) of Philadelphia owners expect the level of inventory to increase in the next six months. National owners recorded a survey-high 41% expecting an increase in inventory, up from 34% last spring and similar to last fall (39%).

**Expect the Level of Inventory in the Business to Increase**  
in next six months



**WORKFORCE WOES**



Over one in 10 (13%) Philadelphia business owners expect to increase the number of full-time employees in the next six months, compared to nearly two in 10 (18%) nationally. But nearly four in 10 (37%) businesses that regularly hire employees are finding it is harder to hire qualified candidates. Across the U.S. more than a third (35%) are finding hiring more difficult.

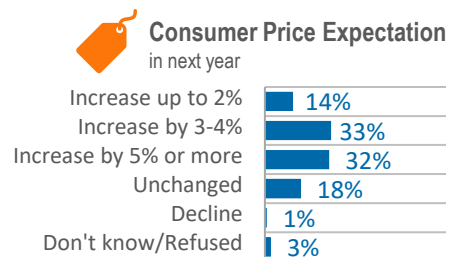
Half of Philadelphia employers have plans to make investments or improvements in their human resources practices in the coming year, compared to 52% nationally, which was up from 43% last spring. Almost four in 10 (38%, 35% U.S.) are focusing on workplace flexibility, a quarter (24%, 27% U.S.) on employee benefits and over two in 10 (22%, 29% U.S.) on hiring practices.



Over a four in 10 (43%) Philadelphia owners expect an increase in employee compensation in the next six months. The national reading (37%) is up from last spring (31%) and comparable to a year ago (33%). Nearly four in 10 (37%) in Philadelphia and nationwide, anticipate rising employee health care costs in the same timeframe. The national level is up from spring (28%) and more than double the reading from last fall (15%).

**REBOUNDED INFLATION FEARS**

A third (32%) of Philadelphia owners expect U.S. consumer prices to increase by 5% or more in the next year. Nationally, over four in 10 (42%) owners have the same expectation, a survey high. Inflationary factors dominate concerns when it comes to risks to the business for the next six months. Half of Philadelphia businesses are feeling the impact of inflation in supplier prices (49%, 58% U.S.) and nearly as many (47%, 42% U.S.) are experiencing inflationary pressures from customer price sensitivity.



**CONCERN ABOUT U.S. POLITICAL UNCERTAINTY ON THE RISE**

As the 2024 U.S. Presidential Election draws closer, concern about the impact on business is building. Six in 10 (61%) Philadelphia owners are at least moderately concerned about the risk U.S. political uncertainty poses to their business. Two-thirds (68%) of U.S. owners have the same concern, up significantly from six months ago (45%).



**Definitely/ Probably will Request a New Loan/Line of Credit**  
 in next six months



**NEED FOR FINANCING**

There's a growing appetite amongst business owners for financing and new loans. A survey high 29% of business owners across the U.S. anticipate requesting a new loan or line of credit in the next six months. Over four in 10 (44%) Philadelphia owners are likely to seek credit in the same timeframe. Over a third (35%) of Philadelphia owners expect capital spending to increase in the next six months. Three in 10 expect capital spending to go up nationally, a significant jump from spring (21%). Top areas for planned investments or improvements are human resource practices, products/services and technology.

**Expect Capital Spending to Increase**  
 in next six months



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