

ST. LOUIS BUSINESS OWNERS REMAIN OPTIMISTIC ABOUT ECONOMY ACCORDING TO PNC SURVEY

**ANALYSIS BY
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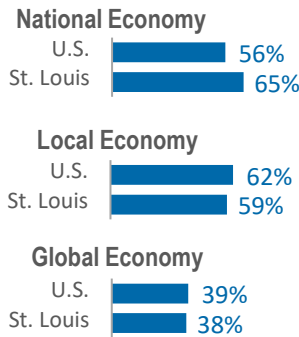
The St. Louis labor market is firming. Job growth, which had underperformed the U.S. average for 33 months in a row through March 2024, has been at around 2% year-over-year for the past few months and is now outpacing the nation. In the summer, local employment was about 3% higher than it was before the pandemic.

Leisure/hospitality services and healthcare remain the principal drivers of new jobs, while manufacturing has strengthened following last fall's United Auto Workers' strike with employment almost back to its pre-pandemic peak. Conversely, office-using industries are laboring to gain traction, with employment in professional/business services down from early 2023. The unemployment rate has increased from an all-time low of 2.6% in mid-2022 to 3.9% in July—the highest rate since September 2021—but is still comfortably below the national average of 4.3%. Most of the recent increase in the unemployment rate has come from strong labor force growth; the increasing supply of workers is a positive for St. Louis over the longer run.

The strong labor market supports the notion that St. Louis business owners expect household demand to strengthen. Indeed, nearly six in 10 (57%) anticipate an upturn in demand for their products or services over the next six months. To meet this stronger demand, 40% of St. Louis business owners expect to build up their inventory levels, on par with the U.S. average of 41%. The tight labor market is forcing St. Louis businesses to raise wages to retain current employees and attract new ones. Accordingly, over one-third (37%) of small business owners anticipate an increase in employee compensation in the next six months, spot on with the U.S. average; this could potentially erode profit margins.

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 St. Louis 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.

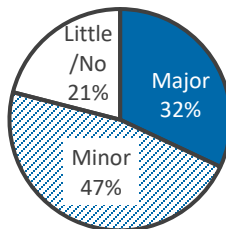
Two-thirds (65%) of St. Louis owners are highly optimistic about the national economy, compared to the national level (56%) which is just above last spring (55%) and up significantly from a year ago (34%). Six in 10 (59%) in St. Louis are also optimistic about their local economy, much like owners nationally (62%). Nearly four in 10 (38%) are optimistic about the global economy, similar to 39% of owners nationally.

Nearly three-quarters (73%) of St. Louis owners are optimistic about the prospects for their own business, similar to the portion nationally (76%). The national 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, a third (32%) of St. Louis 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 (47%) or of little or no impact (21%). 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

Nearly six in 10 (57%) St. Louis 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**

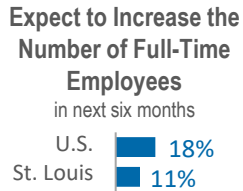


To meet demand, four in 10 St. Louis owners expect the level of inventory to increase in the next six months. National owners recorded a survey-high 41% expecting an increase in inventory, up from 34% last spring and similar to last fall (39%).

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



WORKFORCE WOES



One in 10 (11%) St. Louis 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 half (47%) of 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.

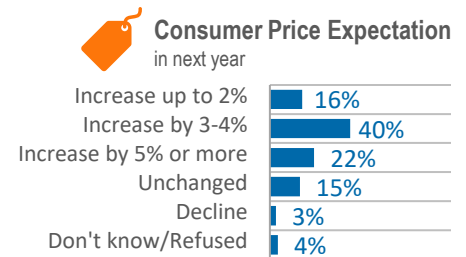
Less than four in 10 (37%) of St. Louis employers have plans to make investments or improvements in their human resources practices in the coming year, compared to 52% nationally, which was up from 43% last spring. A quarter (35% U.S.) are focusing on workplace flexibility, under two in 10 (18%, 29% U.S.) on hiring practices and a similar portion (15%, 27% U.S.) on employee benefits.



Nearly four in 10 (37%) St. Louis owners expect an increase in employee compensation in the next six months, matching the expectation nationwide. The national reading is up from last spring (31%) and comparable to a year ago (33%). Over a quarter (27%) in St. Louis, compared to nearly four in 10 (37%) 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%).

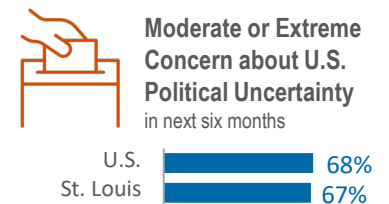
REBOUNDED INFLATION FEARS

Over two in 10 (22%) St. Louis 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. Over four in 10 St. Louis businesses are feeling the impact of inflation in supplier prices (45%, 58% U.S.) and nearly as many (42% St. Louis and 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. Two-thirds (67%) of St. Louis owners are at least moderately concerned about the risk U.S. political uncertainty poses to their business. A similar portion (68%) of U.S. owners have this concern, up significantly from six months ago (45%).



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 a third (35%) of St. Louis owners are likely to seek credit in the same timeframe. More than a third (36%) of St. Louis 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 products/services, human resource practices and technology.



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