March 31, 2011

Business Owners Proceed with Caution: Outlook Brightens on Sales and Hiring, but Higher Costs Force Price Hikes

- PNC Survey Findings Support 'Self-Sustaining' Expansion That Won't Be Derailed By Energy Prices, European Debt or Disaster in Japan -

PITTSBURGH, March 31, 2011 /PRNewswire/ -- One out of two U.S. small business owners expect increased sales in the next six months, but rising non-labor costs threaten to squeeze profits and result in higher selling prices over the same period, according to the PNC Economic Outlook survey's newest findings.

(Photo: https://photos.prnewswire.com/prnh/20110331/NE74079)

The spring findings of PNC's biannual survey, which began in 2003, show owners' expectations for sales and profits have rebounded from unexpected setbacks last fall along with a brighter outlook for hiring full-time employees. However, 64 percent foresee higher non-labor costs, which will prompt owners to raise prices in an effort to preserve profit margins.

Nearly two in five owners (37 percent) plan to raise their selling prices, while only 7 percent intend to cut prices, indicating a significant rise in pricing pressures compared to recent surveys. Two-thirds plan to increase prices by more than 2 percent, which is the upper bound of the Federal Reserve's preferred inflation "target range."

"The recovery light hasn't turned green, but it's a lighter shade of yellow," said Stuart Hoffman, chief economist for The PNC Financial Services Group, Inc. (NYSE: PNC). "The survey results support our view that the half-speed recovery that began in July 2009 is transitioning into a self-sustaining economic expansion for 2011-2012 which will not be derailed by higher energy prices, Europe's sovereign debt problems or the disaster in Japan."

Highlights: More Hiring, Optimism Brightens

The survey, which gauges the mood and sentiment of small and medium sized business owners, found that one quarter (24 percent) expect to hire full-time employees, up slightly from last fall (22 percent) and double the spring 2009 low point (12 percent). Just seven percent plan to reduce full-time staff, significantly lower than 2010 and the survey record of 23 percent in spring 2009.

Other findings about the next six months include:

-- Sales and Profits Rebound: Almost half (48 percent) expect their sales to increase compared to 42 percent in the fall. Nearly four in 10 (37

percent) expect profits to increase compared to 31 percent in the fall.

-- Energy Prices Will Restrain Growth: Nearly three quarters (72 percent) say that a sustained rise in energy prices would have a negative impact on their business.

-- Local Economy - Glass Half Full: The sentiment about local economies is getting brighter, with 62 percent of owners optimistic about their local economies (compared to 57 percent in the fall).

-- National View Even Better: Pessimism about the national economy is significantly reduced compared to six months ago, with 58 percent of owners reportedly optimistic about the economy's prospects during the next six months (compared to 41 percent in the fall).

An online media kit containing national and regional survey results as well as downloadable video and audio sound bytes is available on PNC's website at http://www.pnc.com/go/presskits.

The PNC Financial Services Group, Inc. (www.pnc.com) is one of the nation's largest diversified financial services organizations providing retail and business banking; residential mortgage banking; specialized services for corporations and government entities, including corporate banking, real estate finance and asset-based lending; wealth management and asset management. Follow @*PNCNews* on Twitter for breaking news and announcements from PNC.

Methodology

The PNC Economic Outlook survey was conducted between Jan. 31 to March 4, 2011, by telephone within the United States among 1,445 owners or senior decision-makers of small and mid-sized businesses with annual revenues of $100,000 to $250 million. The results given in this release are based on interviews with 518 businesses nationally, while the remaining interviews were conducted among businesses within the states of Florida, Illinois, Indiana, Missouri, New Jersey, Ohio and Pennsylvania. Sampling error for the national results is +/- 4.3 percent at the 95 percent confidence level. The survey was conducted by Artemis Strategy Group (www.ArtemisSG.com), a communications strategy research firm specializing in brand positioning and policy issues. The firm, headquartered in Washington D.C., provides communications research and consulting to a range of public and private sector clients.

This report has been prepared for general informational purposes only and is not intended as specific advice or recommendations. Information has been gathered from third party sources and has not been independently verified or accepted by The PNC Financial Services Group, Inc. PNC makes no representations or warranties as to the accuracy or completeness of the information, assumptions, analyses or conclusions presented in the

report. PNC cannot be held responsible for any errors or misrepresentations contained in the report or in the information gathered from third party sources. Any reliance upon the information provided in the report is solely and exclusively at your own risk.

CONTACT:

Tim Rice
(412) 762-8033
timothy.rice@pnc.com

SOURCE The PNC Financial Services Group, Inc.