

March 10, 2022



SQUEEZED BY INFLATION, SMALL BUSINESS OWNERS EXPECT TO RAISE PRICES; SUPPLY CHAIN DISRUPTIONS TO EASE, PNC SURVEY SHOWS

- 51% expect to raise prices in the next six months and 36% expect increases of 5% or more.**
- One-third say supply chain issues have worsened in the last six months, but almost 60% expect improvement in the next six months.**
- Forty-three percent have lost staff since the start of the pandemic.**
- Business owners were surveyed during January, before events in Ukraine unfolded.**

PITTSBURGH, March 10, 2022 /PRNewswire/ -- Supply chain issues top the list of concerns for small business owners over the last six months but they see those pressures easing by mid-year. In the meantime, inflation pressures are expected to continue to impact these business owners, with a majority planning to further raise their own prices in the near term, according to the latest PNC semi-annual Economic Outlook survey of small and mid-size business owners and executives, which concluded Feb. 3.

"The events in Ukraine were not on the minds of business owners when the survey was conducted in January," said PNC Chief Economist Gus Faucher, "There was concern at that time about rising prices, and that worry has likely intensified now given the rapid increase in energy prices, among other factors."

In January, a third (34%) of owners who rely on a supply chain said timeliness had worsened in the previous six months. Concern about supply chain disruptions was highest in the manufacturing (56%), wholesale/retail (51%) and construction (38%) sectors. More than a quarter (28%) of businesses that rely on inventory are faced with the challenge of not having enough supply to meet expected demand. However, six in 10 (57%) expect the timeliness of their supply chain issues to improve in the next six months.

"Supply chain problems have been a big contributor to the highest inflation the U.S. has seen in almost 40 years. But it is encouraging that most small businesses see supply chain problems easing in the months ahead, which would contribute to a slowing in inflation," Faucher said. "The wild card now is how long high energy prices and other inflationary factors due to the Ukraine crisis last."

Rising prices also are on the minds of business owners. Half (51%) of businesses expect to increase the prices they charge in the next six months, with 36% expecting hikes of 5% or more. Nearly two in 10 (16%) of those expecting to increase prices plan to raise them by at least 10%, more than double those respondents who anticipated a similar move last fall (6%). One in three (34%) say their prices already have gone up in the past six months, with four in 10 hiking them by 5% or more.

Among the 51% expecting to increase their prices, nearly two-thirds (63%) are doing so because they are attempting to keep up with rising non-labor costs, a significant increase compared with 33% in the fall.

"Six months ago, businesses were raising prices because demand was strong enough that they could. Now it appears they're raising prices because higher costs are forcing them to," Faucher said.

Worker Turnover, Hiring Having an Impact

More than four in 10 (43%) business owners report losing staff since the start of the pandemic and 85% of those say this has had a negative impact on their business.

Top reasons employers provide for employee departures are illness or death (50%), worker concerns over health or safety (46%), and changes in lifestyle or priorities (36%). Three in 10 (31%) say workers have shifted their profession either by moving to other industries or types of work (24%) or through self-employment/gig work or starting their own business (12%). Other reasons cited for departures include lack of childcare or eldercare options (23%) and refusal to comply with COVID-19 vaccine or testing requirements (21%).

Some business owners also identified hiring qualified workers as a continuing challenge. Among business that have employees, one in four (26%) say it's become harder to hire qualified personnel, although that is an improvement from the fall 2021 survey when 34% cited it as an issue.

Nearly three in four (73%) businesses have responded to recruiting challenges with strategies for attracting and retaining employees, most notably through improved work conditions such as implementing employee health or safety improvements (47%) and allowing more flexible work arrangements (37%); the same portion (37%) increased wages or salaries.

Among those who have difficulty finding workers or faced shortages in the last six months, more than half have increased workload for existing employees (53%), or report that owners or managers are covering shifts (43%). Additionally, business owners report increasing technology or automation (37%).

"The tight labor market remains a significant problem for many small businesses, and there are no indications that this problem is going away anytime soon. But it is clear that small businesses are coming up with solutions for getting around a shortage of available workers for the continued operation of their businesses," Faucher said.

Other key survey findings include:

- **COVID-19 Vaccine Boosterism:** More than half of business owners (56%) say a majority of their workforce has a COVID-19 booster vaccination. Two-thirds (65%) have taken some action to encourage employee boosters either through a requirement

(31%), assistance and/or education (29%), incentives (22%) or restrictions for those who choose not to receive the booster (19%).

- **Optimism Tempered, But Still High:** Business leader expectations about their own companies remain strong with nearly half (47%) feeling highly optimistic, but are down from their historic fall high (56% highly optimistic) while the number pessimistic remains historically low (2%). Their outlook for the national and local economy has shifted to cautious: 15% are highly optimistic about the national economy while 23% are now pessimistic; and 19% are highly optimistic and 8% are pessimistic about their local economy.
- **Business Adaptation and Transformation:** Small and mid-sized businesses have made dramatic and lasting changes to adapt to the pandemic environment, particularly when it comes to employee safety and utilization of new technology. Nearly all (92%) have made at least one type of change (policies, processes, operations or use of technology). Almost all of those making changes (93%) expect one or more of them to be permanent.

Full national and regional survey results are available at pnc.mediaroom.com.

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Methodology

The PNC Economic Outlook survey was conducted by telephone from 1/4/2022 to 2/3/2022, among small and mid-sized businesses with self-reported revenue of \$100,000 to \$250 million. 500 interviews were conducted nationally. Sampling error for the nationwide results is +/- 4.4% at the 95% 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.

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