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Guarded Optimism Among Maryland Business Owners Amid Stable Interest Rates, Concerns About Energy Prices

- PNC Survey Finds Most Owners Expect Increased Sales, Profits -

BALTIMORE, April 12 /PRNewswire-FirstCall/ -- Stable interest rates and energy prices below last year's highs are encouraging small and mid-sized businesses across Maryland to expect rising sales, profits, hiring and investments in their businesses, according to the PNC Economic Outlook survey.

The survey, introduced in 2003 by The PNC Financial Services Group, Inc. (NYSE: PNC) and conducted for the first time in Maryland, gauges the mood and sentiment among business owners who represent the bedrock of the American economy. The results were announced April 12 in a special presentation co-hosted by PNC and the Maryland Chamber of Commerce to more than 165 business leaders gathered at the Renaissance Harborplace Hotel in Baltimore's Inner Harbor.

"With the majority of Maryland business owners expecting increased sales and profits during the six months, it appears stable interest rates and energy prices below last Fall's highs have contributed to their confidence," said J. Marshall (Mike) Reid, regional president, Greater Baltimore region, PNC. "Their outlook could be characterized as guarded optimism, however, since the higher energy prices seen in recent weeks are their greatest concern by far."

The survey was conducted for PNC between January and March by Harris Interactive, a global market research and consulting firm, with responses from 1,258 business owners and senior decision makers nationwide, including 152 throughout Maryland.

In the first Baltimore event hosted by PNC since its acquisition of Mercantile Bankshares Corporation, Reid was joined by PNC presenters Edward J. (Ned) Kelly III, vice chairman, and Stuart Hoffman, chief economist, who discussed the survey's national results. They were joined by Kathleen Snyder, president and chief executive officer of the Maryland Chamber of Commerce, who also shared her views on the results of the Maryland General Assembly session that concluded April 9.

Positive Outlook

Maryland business owners are more optimistic about the local economy than the U.S. economy. Twenty-eight percent are optimistic (rating 8 to 10 on a scale of 1-10) compared to 22 percent who said the same about the U.S. economy. The following are highlights of expectations for their own business:

- Sales: 68 percent in Maryland expect increases during the next six months, compared to 65 percent nationwide.
- Profits: 60 percent expect profits to increase. This compares to 54 percent nationwide.
- Hiring: More than one-third (35 percent) plan to increase hiring of full-time employees compared to 32 percent nationwide. Asked about their ability to hire qualified employees, 37 percent in Maryland say it is harder compared to six months ago, 5 percent say it's easier and 55 percent say it's about the same, all of which are within two percentage points of the U.S. responses.
- Capital Spending: When it comes to investing in their own business, 72 percent have plans for capital spending during the next six months. Technology equipment, cited by 23 percent, is most likely to receive the spending increase.

Business Costs, Selling Prices

Among a list of choices, higher energy prices were the dominant concern for Maryland business owners with 37 percent citing a hike as having the greatest impact on their business over the next six months. Further interest rate increases was the second greatest concern (19 percent), even as they have stabilized over the past six months.

Meanwhile, 58 percent expect to pay higher prices to their suppliers. Moreover, 49 percent expect an increase in employee compensation, while 51 percent expect an increase in healthcare costs.

For prices charged to customers, 40 percent plan to pass along some portion of higher costs in the form of higher selling prices to customers. Of those who plan to raise prices, 66 percent report they are attempting to preserve profit margins and 30 percent report that business growth and favorable market conditions will allow it.

For complete details of the national and regional survey results, visit <http://www.pnc.com/go/presskits/eos>. A replay of the April 12 presentation (audio and slides) is available on PNC's web site for 30 days.

The PNC Economic Outlook survey was conducted by telephone within the United States among 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 528 businesses nationally and 152 in Maryland. Quotas were established by company revenue using the Dun & Bradstreet population. The sample was drawn to include a representative sampling of businesses by region and industry. Sampling error for the national results is +/- 4.3 percentage points. Sampling error for the various sub-samples would be higher and vary.

Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides innovative research, insights and strategic advice to help its clients make more confident decisions, which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for The Harris Poll, one of the longest running, independent opinion polls and for pioneering online market research methods. More information may be obtained at www.harrisinteractive.com.

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