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Small Business Owners' Outlook Brightens for Sales and Hiring Amid Lingering Skepticism About U.S. Economy

- Majority Say Recovery Is More Than One Year Away; Eight of 10 Unlikely to Seek Loan or Line of Credit -

PITTSBURGH, April 1 /PRNewswire/ -- The outlook among U.S. small business owners for sales, profits and hiring has improved from record-low levels one year ago, but they remain skeptical about the U.S. economy's recovery, according to the PNC Economic Outlook survey's newest findings.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20100401/NE79506>)

The spring findings of the biannual survey, which began in 2003, also found few have interest in seeking a new loan or line of credit.

Nearly half (47 percent) of business owners expect their sales to increase during the next six months compared to 40 percent in the fall and the record-low 26 percent one year ago. Meanwhile, almost one-quarter (22 percent) expect to increase the number of full-time employees in the next six months. This compares to 17 percent in the fall and 12 percent one year ago.

"These findings support PNC's forecast that the U.S. economy's ongoing 'half-speed' recovery will be sustained throughout 2010 and beyond," said Stuart Hoffman, chief economist for The PNC Financial Services Group, Inc. (NYSE: PNC). "The missing ingredient in the recovery recipe is private sector job growth. We expect it to soon be baked into the mix, which will make the recovery more satisfying."

Highlights: Sales, Hiring, Capital

The survey, which gauges the mood and sentiment of small and medium sized businesses, found just under one-quarter (23 percent) are pessimistic about their own company's prospects during the next six months. This is comparable to the 25 percent last fall and improved from the record-high 36 percent a year ago. Other findings about the next six months include:

- Better Sales and Profits: Nearly half (47 percent) expect sales to increase compared to 26 percent a year ago. Likewise, expectations for profits are modestly better (37 percent vs. 21 percent).
- Hiring Plans By Industry: The brighter hiring outlook is led by the manufacturing sector (29 percent intend to hire full-time employees). Twenty-two percent in the service industry and 17 percent among wholesale/retail businesses plan to hire.
- Waiting for U.S. Recovery: The overwhelming majority (92 percent) say

the U.S. economy has yet to improve. Six out of 10 (60 percent) feel the recovery is between 13-24 months away compared to 32 percent who expect the economy to noticeably improve within the next 12 months.

- Local View Less Gloomy: The sentiment is slightly less negative closer to home as 48 percent are pessimistic and 7 percent are optimistic about the prospects for their local economy. This compares to 58 percent and 3 percent for the U.S. economy.
- Little Interest in Loans: Nearly eight out of 10 (78 percent) probably or definitely will not take out a new loan or line of credit during the next six months compared to 19 percent who will – consistent with last fall. Capital spending remains flat as 51 percent have no plans for investments compared to 43 percent a year ago.

Insights on Challenges, Stimulus, Incentives

Nearly half (46 percent) of owners say weak sales/demand for service is the most important challenge facing their business today. Taxes were a distant second (13 percent) followed by credit availability (9 percent), health insurance (8 percent) and employee costs (7 percent). PNC's survey also found:

- Fiscal Stimulus Impact: One year after passage of the \$787 billion American Recovery and Reinvestment Act, more than three-quarters (78 percent) feel they have yet to benefit from this federal program, little changed from the fall survey. Only one in five (21 percent) say they have received any benefit while 2 percent have received a "significant" benefit.
- President's Proposals: Of four initiatives proposed by the Obama Administration, the potential elimination of capital gains taxes on small business investment is seen by 59 percent as having a positive impact on their business. The proportion who expect a positive impact is 51 percent for a tax incentive for all businesses to invest in new plants and equipment; 41 percent for a tax credit for small businesses that hire workers or raise wages; and 38 percent new lending source for entrepreneurs. Some elements were signed into law March 18 by President Obama.

An online media kit containing national and regional survey results 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; asset management and global fund services.

Methodology

The PNC Economic Outlook survey was conducted between Feb. 4-19 by telephone within the United States among 1,221 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 508 businesses nationally, while the remaining 713 interviews were conducted among businesses within the states of Florida, Illinois, New Jersey, Ohio and Pennsylvania. Sampling error for the national results is +/- 4.0 percentage points 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.

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