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Small Business Owners Expect 'Bumpy Road' Ahead; Majority Plan to Boost Capital Spending, Delay Hiring

- PNC Survey Finds 10% Leverage HIRE Act Tax Credit While 70% Say U.S. Economic Recovery Is More Than a Year Away -

PITTSBURGH, Oct. 7 /PRNewswire/ -- Six out of 10 small business owners nationwide intend to increase capital spending but delay hiring in a defensive move that reflects their lingering concerns about the U.S. economy, according to the PNC Economic Outlook survey's newest findings.

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The fall findings of the biannual survey, which began in 2003, also found one out of 10 owners hired or plan to hire qualified employees due to the tax credit offered by the HIRE Act passed by Congress in the spring.

Overall, the outlook of small business owners has improved slightly as eight out of 10 (compared to 76 percent in the spring) are moderately to greatly optimistic about their own company's prospects today while 20 percent are pessimistic (vs. 23 percent).

"Until we see a solid pattern of small business hiring and investments re-established, the economic recovery will be a bumpy road, but not another ride over a cliff," said Stuart Hoffman, chief economist for The PNC Financial Services Group, Inc. (NYSE: PNC). "These findings support PNC's view that the economy will remain transitional for the rest of 2010 and into the first half of 2011 -- with weak but persistent 'half-speed' real GDP and job gains."

Highlights: Capital Spending, Sales, Hiring

The survey, which gauges the mood and sentiment of small and medium sized business owners, found almost two-thirds (63 percent) plan to increase capital spending during the next six months. This is a significant increase from 49 percent in the spring. Technology equipment spending leads the list of priorities as owners look to maintain their operations without adding additional employees.

Other findings about the next six months include:

- Improved Access to Credit: While three out of four owners (76 percent compared to 78 percent in the spring) do not intend to seek a new loan or line of credit, they do see greater access to financing. Thirteen percent (vs. 9 percent in the spring) says it's easier to obtain credit while 44 percent (vs. 38 percent in the spring) say it's neither easy

- nor difficult compared to three months ago.
- Stalled Sales and Profits: Fewer than half (42 percent) expect their sales to increase compared to 47 percent in the spring. In terms of profits, 31 percent expect an increase, down from 37 percent in the spring.
 - Hiring Outlook Improved: 22 percent expect to hire full-time employees, the same as spring and significantly better than one year ago (17 percent). Only 12 percent plan to reduce their workforce compared to 14 percent in the spring and 18 percent one year ago. Manufacturing companies are most likely to hire followed by the service industry.
 - Still Waiting for U.S. Recovery: The overwhelming majority (91 percent) say the U.S. economy has yet to noticeably improve. Seven out of 10 (71 percent) feel the recovery is more than one year away compared to 20 percent who expect improvement within the next 12 months.
 - Local View Is Better: The sentiment is slightly less negative closer to home as 57 percent are optimistic and 42 percent are pessimistic about the prospects for their local economy. This compares to 41 percent optimistic and 58 percent pessimistic for the U.S. economy.
 - What's Your Worry?: One out of three (34 percent) say weak sales/demand for service is the most important challenge facing their business today. Their second concern at 21 percent is "changes in government policy that affect my business." These far outdistanced health insurance (12 percent) and taxes (11 percent).

An online media kit containing national and regional survey results is available on PNC's website at <http://www.pnc.com/go/presskits>.

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Methodology

The PNC Economic Outlook survey was conducted between July 29 to August 25, 2010, by telephone within the United States among 1,200 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 504 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.

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CONTACT:

Tim Rice

(412) 762-8033

timothy.rice@pnc.com

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