

October 4, 2012



U.S. Small Business Outlook Retreats As Election Looms

- PNC Survey Findings Show Decline in Hiring, Expectations; Majority Say They Are Not 'Better Off' -

PITTSBURGH, Oct. 4, 2012 /PRNewswire/ -- A soft outlook on sales has only one in four small business owners planning to hire in the next six months as business optimism retreats ahead of next month's presidential election, according to the latest findings of the [PNC Economic Outlook](#).

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The fall findings of PNC's biannual survey, which began in 2003, show a decline in owners' expectations for sales and profits as the lackluster economic recovery struggles to gain steam. Business owners have less optimism about their local economies and are significantly more negative on the national level compared to last spring. Despite this dip in sentiment, owners remain more upbeat than this time last year, when optimism hit near-historic lows.

"The pace of the U.S. economic and jobs recovery remains disappointing," said Stuart Hoffman, chief economist at PNC. "Despite significant headwinds like the deepening recession in Europe and impending 'fiscal cliff,' the hiring plans and business outlook reflected in this survey are just enough to keep the modest recovery persistent into 2013."

Are You Better Off?

One out of two (48 percent) owners say they are currently "worse off" compared to 2007, when the recession officially began, while only 26 percent claim they are "better off." When asked how they have adapted to survive in the new economic environment, more than two-fifths (42 percent) said they seek greater productivity or efficiency from their employees, and one-third (33 percent) have reduced or consolidated their operations since 2007.

Highlights: Sales, Profits and Hiring Take a Hit

The survey, which gauges the mood and sentiment of small and medium sized business owners, found that only 46 percent expect their sales to increase in the next six months, significantly lower than last spring (58 percent). Profits are also expected to be lower, as only 38 percent expect an increase compared to 43 percent in the spring. Only 23 percent expect to add new employees, lower than in spring (28 percent) but still higher than a year ago (20%).

Other findings about the next six months include:

- **Optimism is Fading:** Six in 10 (57 percent) are now pessimistic about the national economy over the next six months, up from just 43 percent in the spring. Seven out of 10 (69 percent) are pessimistic about the global economy over the same period.

- **Capital Spending Declines:** Only 58 percent plan to spend on capital investments in the next six months, down significantly from 70 percent last spring. Spending on technology equipment remains the top priority.
- **Loan Demand Flattens:** Less than one-fifth (19 percent) will probably or definitely take out a new loan or line of credit in the next six months, compared to 23 percent last spring. Nearly one in three (30 percent) have no current need for credit, a major increase from 13 percent last spring.
- **House Prices Rebounding:** In a dramatic turnaround from the past five years, two-fifths (37 percent) expect home prices in their local market to rise in the coming year, while only 13 percent expect them to drop. A year ago those numbers were almost exactly reversed (14 percent expected a rise, 32 percent expected a drop).
- **Healthcare Hurts Hiring...:** More than two-fifths (42 percent) believe the Supreme Court ruling to uphold the Affordable Care Act will negatively affect their hiring plans in the coming year.
- **... But More Federal Action Could Help:** Nearly two-thirds (63 percent) think Federal action following the election will positively influence their hiring plans, with reduced regulations the top choice and reduced government spending a close second.

An online media kit containing national and regional survey results is available on PNC's website at www.pnc.com/pncpresskits.

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Methodology

The PNC Economic Outlook survey was conducted between July 23 to September 10, 2012, by telephone within the United States among 1,697 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 506 businesses nationally, while the remaining interviews were conducted among businesses within the states of Florida, Georgia, Illinois, Indiana, Michigan, New Jersey, North Carolina, 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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