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Cautious Small Business Owners Further Postpone Hiring Amid Doubts On Sales And Economy

-- Three of four don't plan to hire new employees during next six months

-- Views split on economic impact of federal spending cuts from sequestration

-- Outlook improves on capital investments, local housing markets

PITTSBURGH, Oct. 3, 2013 /PRNewswire/ -- Uncertain about their sales and the U.S. economy, nearly three out of four small and mid-sized business owners do not intend to hire new employees or seek new loans during the next six months, according to the new PNC Economic Outlook survey findings.

The fall findings of PNC's biannual survey, which began in 2003, reveal a decline in optimism compared to six months ago. Just over one-fifth (22 percent) are optimistic about their own company's prospects during the next six months compared to 26 percent in the spring. Expectations also declined on sales, with 43 percent expecting an increase during the next six months compared to 48 percent in the last survey.

The outlook on the U.S. economy remains cautious as 60 percent are optimistic and 39 percent are pessimistic compared to 58 percent and 41 percent in the spring. However, this is an improvement compared to one year ago when only 42 percent were optimistic and 57 percent were pessimistic ahead of the then presidential election and looming "fiscal cliff."

"The economy is expanding but growth remains disappointing," said Stuart Hoffman, chief economist at PNC. "These findings show small business owners are carefully taking half steps forward while keeping a wary eye looking for more customers and action in Washington to resolve the debt ceiling impasse and keep the federal government open."

Hoffman said PNC's baseline forecast is that the U.S. economic and jobs expansion will proceed at a moderate pace in the latter half of 2013 as the economic drag fades from higher tax rates and the \$85 billion cut in federal spending (sequestration) and Europe slowly pulls out of recession.

Survey Highlights: Hiring, Health Care, Housing

- **Hiring on Hold:** PNC's survey found only 16 percent intend to add full-time employees while eight percent plan to reduce staff and the remaining 73 percent will make no changes.

- **Business Investment Plans Increase:** 63 percent plan to spend on capital investments in the next six months, up from 58 percent in the past two surveys. Technology equipment remains the top priority.
- **Little Demand for New Loans:** Only one in five, however, will probably/definitely take out a new loan or line of credit in the next six months. This is an increase from the 12 percent in spring and 19 percent a year ago.
- **Impact of Sequester and Healthcare Reform:** Nearly half (48 percent) say the \$85 billion in federal spending cuts had no impact on the U.S. economic recovery in 2013 compared to 40 percent who say it had a negative effect. Meanwhile, 78 percent say the Affordable Care Act has had no impact on their hiring plans.
- **Rising Rates Cause Limited Concerns:** Two in five (40 percent) say rising interest rates will hurt their business activity during the rest of 2013 while 59 percent foresee no adverse effect.
- **House Prices Rebound to Continue:** Building on the dramatic turnaround first seen in our Fall 2012 survey, 58 percent expect local home prices will rise over the coming year, up from 48 percent in spring and 37 percent a year ago. This expected rebound is reinforced by sizable house price gains over the past year.
- **Price Inflation Remains Under Control:** One-third (36 percent) plan to raise their selling prices and only five percent intend to cut their prices, signaling potential pricing pressures. Of those businesses planning hikes, 49 percent plan to increase prices by only 1-2 percent, which is below the Federal Reserve's two percent inflation goal.

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 22 to Sept. 6, 2013, by telephone within the United States among 1,713 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 501 businesses nationally, while the remaining interviews were conducted among businesses within the states of Alabama, Florida, Georgia, Illinois, Indiana, Michigan, 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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