

THE PNC ECONOMIC OUTLOOK

Survey of Small & Middle-Market Business Owners

April 2010

Chicago Business Owners' Optimism Cautiously Rising on Sales and Hiring While Profits Remain Tight Amid 'Half-Speed' U.S. Recovery

A year ago, pessimism among small and mid-sized business owners across the country rose to an all-time high in the history of the PNC Economic Outlook survey. The new Spring findings, one year later, reveal Chicago owners are more cautiously optimistic but still waiting for more customers and higher sales. These findings support PNC's forecast that the U.S. economy's ongoing "half-speed" recovery, which began at mid-year 2009, will be sustained throughout 2010 and beyond.

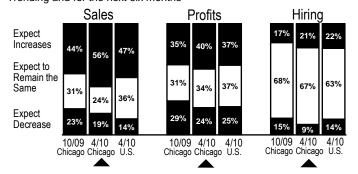
The missing ingredient, however, in the recovery recipe is private sector job growth. PNC forecasts it to soon be baked into the mix, which will make the recovery more satisfying. The Spring findings support modest job gains at small firms, which often do the lion's share of hiring. The PNC survey, which began in 2003, gauges the mood and sentiment among small and mid-sized business owners, who represent the bedrock of the American economy

Key Findings

Chicago's small and mid-sized business owners, according to PNC's Spring 2010 survey findings, are cautious about their business performance, and very concerned about the U.S. economy as a whole. More specifically:

- Still cautious: There is less pessimism than six months among Chicago business owners. About one-third (32%) were pessimistic about their company's overall prospects six months ago, but in the recent survey, that percentage is down significantly to 21%. Yet, only 22% report being optimistic. Weak sales top their list as the most important challenge facing them today. Other concerns such as credit availability, taxes and health insurance were much smaller in comparison.
- Hiring Outlook Improves: One out of five (21%) expect to hire full-time employees during the next six months, up from 17% in the Fall survey. Only 9% report plans to cut workers.
- Business Recovery Timing: Most report improving business or expect business to improve within one year. Roughly one in six (18%) say their business was never hurt or has already improved. Of the remaining, 46% expect their business to noticeably improve within one year; 35% say improvement is more than one year away.
- U.S. Recovery Expectations: They remain cautious about the U.S. economy, despite recent signs of improvement. The overwhelming majority (87%) say the U.S. economy has not begun to improve. In terms of recovery, about one-third (31%) expect the economy to noticeably improve within the next 12 months. Meanwhile, a majority (56%) feel the economic recovery is more than a year away.
- Fiscal Stimulus Impact: One year after passage of the \$787 billion American Recovery and Reinvestment Act (ARRA) of 2009, about three-quarters (72%) feel they have yet to benefit from this Federal program, which is essentially unchanged from the Fall survey. Only 3% say their business has received a significant benefit.
- Fiscal Initiatives for Small Businesses: Of four initiatives proposed by the Obama Administration to help small businesses, owners say the elimination of capital gains taxes would have the most positive impact—60% expect a positive effect. Chicago owners, unlike their counterparts elsewhere in Illinois, approve of all four initiatives.

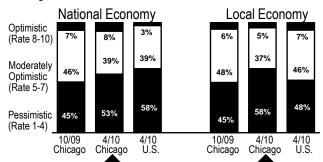
Business Owners' Expectations for Their Business Trending and for the next six months



- Sales, Profits and Jobs: Chicago business owners are optimistic about their sales, and less pessimistic about profits and hiring. Generally, indicators of business expectations are moderately improved over the last six months.
- Business Investment: Capital spending plans are improving in Chicago. The Spring survey reports 58% of owners have some plans for capital spending over the next six months, which compares positively to six months ago when 48% of owners reported investment plans.

Owners' Outlook on U.S. and Local Economy

Trending and for the next six months



- Doubts About U.S. Economy: Disappointingly, over half (53%)

 compared to 45% in the Fall are pessimistic about the prospects of the U.S. economy during the next six months.
- ...And Local Economy: Chicago respondents feel roughly the same about their local economy. Well over half (58%) are pessimistic about their local economic prospects during the next six months and only 5% are optimistic.

The PNC Financial Services Group, Inc. (NYSE: PNC) 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: Artemis Strategy Group conducted the telephone survey between February 4-19, 2010, among 508 businesses nationally and 150 within Chicago Metro. Sampling error for the nationwide results is +/- 4 percentage points at the 95% confidence level. DISCLAIMER: This report was prepared for general information purposes only and is not intended as specific advice or recommendations. Any reliance upon this information is solely and exclusively at your own risk.