

## THE PNC ECONOMIC OUTLOOK

Survey of Small & Middle-Market Business Owners

October 2010

## Florida Business Owners' Outlook Less Pessimistic While Uncertainty Clouds Recovery Prospects

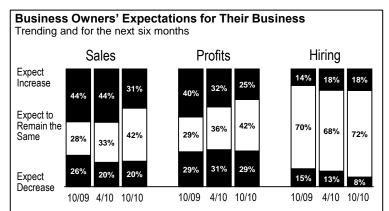
Our Autumn 2010 survey of small and mid-sized business owners in Florida shows a high level of uncertainty as to how and when to move forward. Florida business owners are very pessimistic about the national economy, but have a more balanced view about their own businesses. This survey indicates that significant expansion plans are not expected in the very near term, but neither are further cuts. PNC's economists are not among the "double dippers" looking for a return to recession for the U.S. economy, instead maintaining a forecast of a "half-speed" recovery. This subdued forecast through 2010 and into 2011 means that most will see only moderate gains in demand as the economy slowly gains momentum in 2011.

Florida hosts an above average share of financial services jobs, including real estate-related, which remain in decline. Conversely, the manufacturing industries sustaining the earliest stages of the national recovery are under-represented in Florida. This makes for weak growth prospects, and justifies the unease demonstrated in the Autumn 2010 survey. The PNC survey, which began in 2003, gauges the mood and sentiment among small and mid-sized business owners, who represent the grassroots of the American economy.

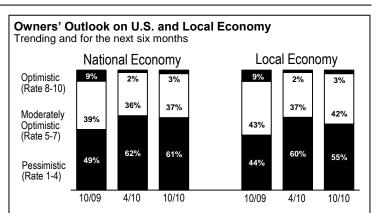
## **Key Findings**

The modest U.S. economic recovery is not yet reflected in Florida's small and mid-sized business owners' outlooks, according to PNC's Autumn 2010 survey findings:

- Less Pessimistic About Own Company: Three of four (75%) are moderately to greatly optimistic about their own company's prospects during the next six months. This is up from Spring 2010 (68%). Pessimism has declined to 25% from 32% in Spring 2010.
- Top Challenges: Nearly half (46%) identify weak sales as their most pressing challenge, up from Spring (39%). Government policy uncertainty is a distant second at 15%.
- Hiring Outlook Holding Steady: Nearly three of four expect to keep their number of full-time employees unchanged during the next six months. This is up slightly from Spring (68%) and one year ago (70%).
- Capital Spending Plans Inch Up: Half (50%) expect to increase capital spending in the next six months. This is up from 44% in Spring 2010 and Autumn 2009. One in five (19%) expect spending to increase on technology equipment, while investment in real estate is down to a mere 1% from 6% in the Spring.



 Sales, Profits and Jobs: Six-month sales and profits outlooks are resigned to weak growth expectations. Four in 10 (42%) expect both sales and profits to remain unchanged. Those expecting sales gains in the next six months fell to three in 10 (31%). 18% expect to hire full-time employees in the next six months, the same as in Spring 2010.



- Gloomy About U.S. Economy: Six in 10 (61%) are pessimistic about the U.S. economy's prospects for the next six months. This share is stable versus Spring (62%) and remains elevated from one year ago (49%). Only 3% exhibit any significant optimism about the U.S. economic outlook.
- Less Gloomy About Local Economy: Sentiment regarding the local economy is galvanizing around a neutral outlook. Four in 10 (42%) have a middling view of their local region's prospects during the next six months. Optimistic sentiment about local conditions (3%) is relatively unchanged from Spring (2%) but is still down from Autumn 2009 when one in 10 (9%) had positive outlooks.
- Own Business vs. U.S. Recovery: Less than one in seven (14%) report improved performance in their own business. Half (50%) expect improvement to be more than one year away, about the same as in Spring 2010 (48%). Expectations that recovery is two years out fell significantly, to 16%, from one in four (25%) in the Spring.
- Fiscal Stimulus Impact: 1½ years after passage of the American Recovery and Reinvestment Act of 2009, eight out of 10 (83%) feel they have yet to benefit from this Federal stimulus program. This is about the same as the Spring (81%).
- HIRE Act for Small Businesses: 8% report already hiring (3%) or planning to hire (5%) qualified workers in response to the tax credit offered by the HIRE Act passed by Congress this past Spring.

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 and asset management. METHODLOGY: Artemis Strategy Group conducted the telephone survey between July 29 to August 25, 2010, among small and mid-sized businesses. 1433 interviews were conducted nationally. Sampling error is +/-8% at the 95% confidence level based on 151 interviews in Florida. 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.