

## THE PNC ECONOMIC OUTLOOK

Survey of Small & Middle-Market Business Owners

October 2010

## Indiana Business Owners' Outlook More Pessimistic Than U.S. Counterparts

Our first-ever survey of small and mid-sized business owners in Indiana shows a high level of concern about the national and local economies in line with their caution about their own company's prospects. Despite the recent National Bureau of Economic Research declaration that the "Great Recession" ended over a year ago in June 2009, business owners still feel very cautious about the prospects for economic recovery. Owners across all industries are waiting for more customers, sales and clarity from Washington, D.C., on the implementation of recent and pending legislation and regulations. PNC's economists are not among the "double dippers" as these findings support their forecast that the U.S. economy's ongoing "half-speed" recovery, which began at mid-year 2009, will be sustained in 2010 and pick up momentum in 2011.

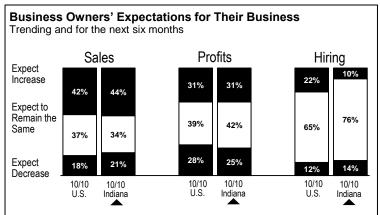
Indiana business owners' caution is not surprising. The state experienced a deeper percentage decline in total employment through the recession than the national average. Indiana's unemployment rate at 10.2 percent as of August 2010 remains above the national average of 9.6 percent. The Autumn survey findings are consistent with only modest job gains at small firms in Indiana over the next six months; significant because small firms 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 grassroots of the American economy.

(Rate 1-4)

## **Key Findings**

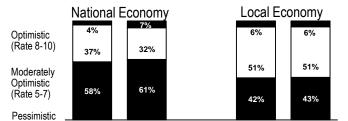
The very modest recovery in Indiana's economy is reflected in a more cautious outlook by business owners in Indiana relative to business owners nationwide, according to PNC's Autumn 2010 survey findings:

- Less Optimism About Own Company: Nearly one in five of Indiana business owners (18%) are pessimistic about their own company's prospects during the next six months, comparable to the national average (20%). However, less than one-tenth (9%) are optimistic, which is below the national average of 20%.
- Top Challenges, Own Sales and Washington Policy: Weak sales top the list for both Indiana and nationwide small businesses as their most important challenge (34%). Government policy uncertainty is in second place among challenges for both Indiana (17%) and nationwide (21%).
- Capital Spending Plans: Nearly half (47%) of Indiana businesses plan to increase capital spending compared to 63% nationwide. Technology equipment investment is on par with other business equipment in terms of priority for Indiana businesses.



Sales, Profits and Jobs: Indiana business owners are equally cautious about their outlook for sales and profits over the next six months as their national counterparts. Owners report a profit squeeze from higher costs and little pricing power. Only 10% of Indiana businesses expect to hire full-time employees during the next six months, less than half of the nationwide survey results (22%).

## Owners' Outlook on U.S. and Local Economy Trending and for the next six months



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Indiana

 Gloomy About U.S. Economy: Six in 10 (61%) of Indiana business owners are pessimistic about the U.S. economy's prospects during the next six months, comparable to the disappointing national results (58%).

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U.S.

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Indiana

- Less Gloomy About Local Economy: The sentiment is less pessimistic about their local region's prospects during the next six months in Indiana (43%), again comparable to the national results (42%) Only 6% are optimistic in both Indiana and nationwide.
- Business Performance: Indiana business owners report noticeable improvement in their own business performance in line with the national average. Over one out of five (28%) say their business was never hurt by the recession or has already improved. 23% in Indiana expect their business to noticeably improve within one year while 47% say improvement is more than a year away. The comparable nationwide results are 28% and 43%, respectively.
- **Fiscal Stimulus Impact:** 1½ years after passage of the American Recovery and Reinvestment Act of 2009, nearly three-quarters of Indiana businesses (74%) feel they have yet to benefit from this Federal stimulus program, comparable to the nationwide results of 72%. Only one in four (26%) business owners say they received some benefit in both Indiana and nationwide, including only 3% who say a significant benefit.
- HIRE Act for Small Businesses: Only 13% of Indiana businesses report already hiring or planning to hire qualified workers in response to the tax credit offered by the HIRE Act passed by Congress this past Spring. This is below the nationwide result of 19%.

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