More Small Business Owners Plan Pay Raises And Price Hikes

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- PNC survey finds more owners, the most since 2008, will increase employee salaries
  - Four in 10 to raise customer prices, many foresee 3-4 percent hikes
  - Outlook positive for sales and profits, while hiring remains limited
- PNC forecasts economic and jobs expansion to proceed at faster pace in next year

PITTSBURGH, Oct. 2, 2014 /PRNewswire/ -- An increasing number of U.S. small and mid-sized business owners plan to raise salaries and prices at rates higher than national trends and above the Federal Reserve's inflation trigger, according to the latest PNC Economic Outlook Survey findings.

The autumn findings of PNC's biannual survey, which began in 2003, reveal that two out of five (38 percent) business owners expect to increase employee compensation in the next six months, which is the most since 2008. This is a significant spike since spring (32 percent) and one year ago (22 percent). Of those that plan raises, three in five (59 percent) plan wage hikes of three percent or more, which exceeds the recent national wage trend near two percent.

Meanwhile, 38 percent plan to raise selling prices during the next year as they attempt to preserve profit margins and withstand rising supplier costs. Of those that plan hikes, 31 percent will increase prices 1-2 percent, while 40 percent intend to increase by 3-4 percent, in excess of the Fed's two percent target.

Business owners' optimism about their own company's prospects is steady as 85 percent are optimistic, on par with 87 percent in the spring. More than half (52 percent) expect sales to increase during the next six months -- and three of four expect growth of three percent or more. Of the 45 percent who expect profits to rise, three in five expect gains of three percent or more.

"Wage growth has been a missing piece of the labor market puzzle to date," said PNC's Chief Economist Stuart Hoffman, "With more business owners planning pay raises and higher prices for customers, these findings strongly support our forecast for a faster economic and jobs expansion and also send important signals to Fed policy makers that the economic recovery is speeding up."

Hiring Plans Steady
The number of businesses that plan to hire is unchanged, but those that will aim to substantially grow their workforce. Twenty percent plan to add full-time employees compared to 22 percent six months ago and up from 16 percent one year ago. Of those hiring, the majority (61 percent) plan to add one to five employees, which according to Hoffman is "sizable, given that three-quarters of these businesses have fewer than 50 full-time employees."

Of the 78 percent not hiring, over half (52 percent) need sales to increase at least three percent to add more employees. Two in 10 say the U.S. economy's lack of improvement is a key reason why they have not hired. Other key findings include:

- **Weather Woes Linger:** Of the 38 percent who say the extreme weather from the first quarter of 2014 had a negative impact on their business, half say their businesses have not yet fully recovered.
- **Low Demand for Credit:** Just 17 percent will probably or definitely take out a new loan or line of credit in the next six months, up slightly from 15 percent in spring (81 percent probably or definitely will not).
- **Healthcare Policy Confusion:** Among businesses with at least 50 employees, nearly two-thirds (64 percent) are not entirely sure how the Affordable Care Act applies to their business.
- **Technology Spending:** 36 percent will increase spending on technology in the next six months, a seven percentage point jump from a year ago – with streamlining or improving operations as the top priority.
- **Housing Prices Continue to Rise:** Just over half (52 percent) expect home prices in their local markets to rise in the coming year, down from 48 percent in spring and 58 percent one year ago. Only nine percent expect house prices to decline, steady with findings over the past year.

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 24 to Sept. 10, 2014, by telephone within the United States among 1,863 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 503 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 plus Washington, D.C. Sampling error for the national results is +/- 4.4 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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