

### Michigan Small Business Owners' Confidence about U.S. Economy, Own Business Soars to Record Highs

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Our spring 2017 survey shows that small- and mid-sized business owners in Michigan are more optimistic about the prospects for their own businesses and the U.S. economy than they have been in the last five years.

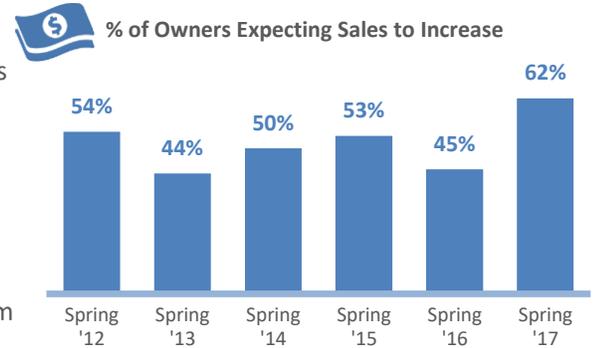
Michigan's economy will continue to recover throughout 2017. Strong job growth spanning a broad base of industries will allow the region to continue its upward climb. Long term, universities, health care and alternative energy research can help provide stability. Home prices will grow at a sustainable pace, which will instill confidence in consumers.

The overall findings from our biannual survey confirm that the fundamentals are solid for the U.S. economy. PNC forecasts moderate economic growth for the rest of this year, which will support additional quarter-point increases in the federal funds rate at both of the Federal Open Market Committee's meetings in June and December.

#### KEY FINDINGS: OUTLOOK FOR NEXT SIX MONTHS

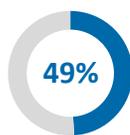
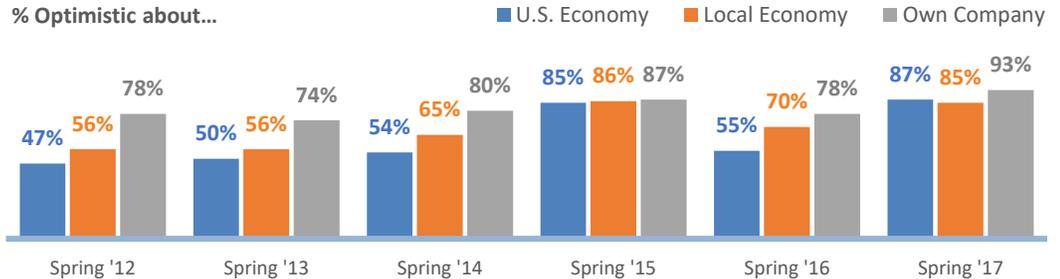
##### Optimistic about Sales

Over six in 10 Michigan business owners anticipate sales increases in the next six months, the highest since the survey began in 2012. Nearly half (46%) anticipate an increase in profits, comparable to last spring but up from 38% last fall. Nearly two in 10 (19%) expect to increase full-time hiring, comparable to last spring but down from 24% in the fall.



##### Optimistic about Economy

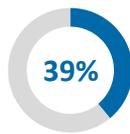
Michigan owners' optimism for the next six months for the national economy (87%), local economy (85%) and their own company's prospects (93%) are among the highest levels seen in the history of PNC's survey.



**Hope Springs Eternal:** Accompanying these higher expectations is a significant increase in the number feeling enthusiastic about the business climate (36% vs. 16% in the fall). Hope remains the most common emotion (49%) while the number feeling fear and anger has declined significantly.



**Wary Eyes Toward Washington:** The view on the new administration and Congress is mixed. Overall, one in four say they expect the policies of the new administration and Congress in general to have a positive impact on their business this year. One-third say it's too early to predict and 19% say it will have no impact. Only 15% anticipate a negative impact.

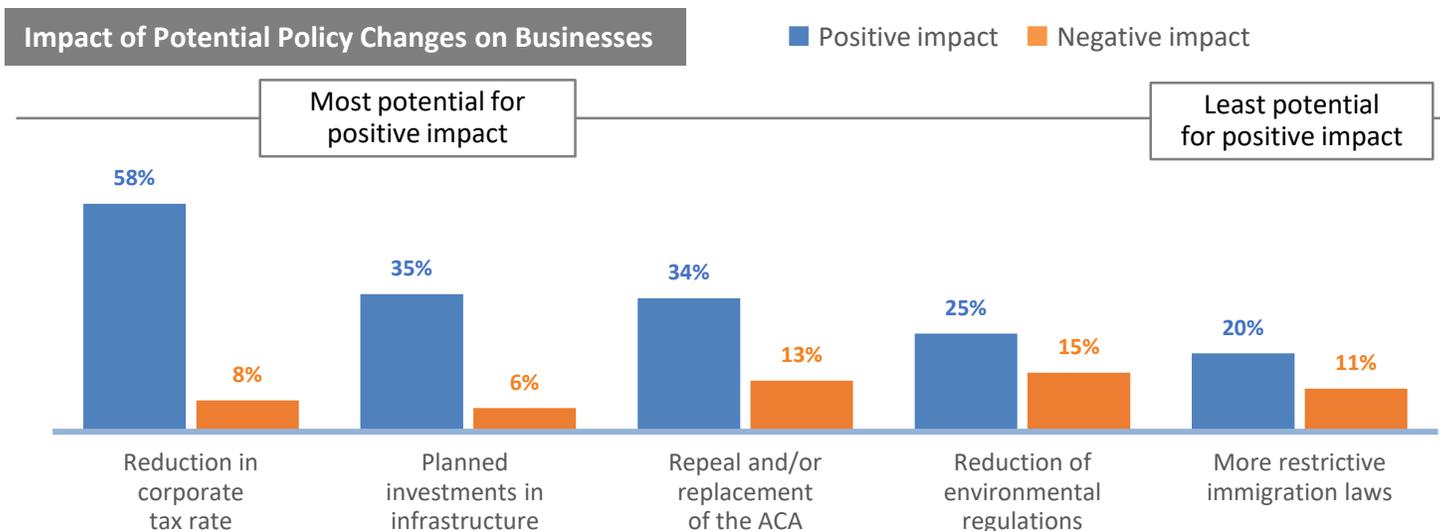


**Divided on Trade Restrictions:** Business leaders are divided when it comes to the impact of trade restrictions or tariffs and taxes on imports: 39% are in support, 30% are against and 25% are unsure.



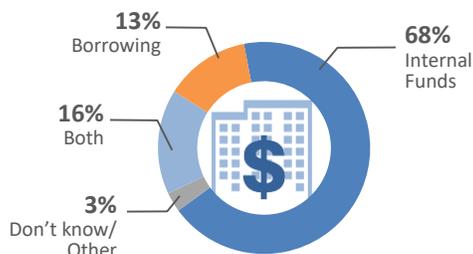
**Business Regulations:** About one in five feel that federal (17%) or state (23%) regulations have a negative impact on their business, while most are relatively neutral on regulations. However, 42% say they would see a bump in profits if regulations were eased or eliminated. Nearly one-quarter (24%) say reductions in regulations would have a positive impact on hiring.

## Most MI Owners Expect Tax Reductions to Benefit Business; Demand for Financing Remains Low



### Demand for Financing Remains Low

#### Source of Funding for Increased Capital Investment



Few (7%, nearly unchanged from 8% last fall) expect their business' need for financing to increase. Among the 27% who anticipate increased capital spending, more than two-thirds (68%) say they will rely on internal funds only, 13% say they will borrow and 16% say they will do both. Most say that the prospect of rising interest rates will have little impact on their decision to pursue a loan or line of credit.

Two-thirds (67%) say the prospect of further interest rate increases in 2017 will have very little impact on their business. Only 17% said it would put pressure on profits, 12% said it would require pricing adjustments and 12% said it might cause them to pay down outstanding loans.

### PNC INSIGHT

#### Financing

Interest rates are still low; it's a good time to take advantage and apply for third-party financing. When businesses are ready for capital, they can be prepared by keeping in mind the "5 C's of Credit."

While each lending institution is unique, most banks use some variation of these when making credit decisions.

#### Keep Credit Clean

Small businesses should perform periodic checks of their credit reports and scores, even if they aren't pursuing financing. Any errors should be challenged immediately with the appropriate credit bureau.

If a credit report contains a negative issue, negotiate directly with the creditor for a lower balance, an extended payment schedule or removal of the item in exchange for immediate payment in full.

Analyze credit reports for info that can be seen as credit weaknesses by potential lenders, such as high balances related to credit limits and too many open accounts.

#### "5 C's of Credit"

- Character
- Capacity
- Capital
- Conditions
- Collateral