

Michigan Businesses Upbeat about Economy, More Plan to Hire

ANALYSIS BY
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Our fall 2016 survey shows small and mid-sized business owners in Michigan are optimistic about the next six months. More plan to add employees despite lower expectations for sales and profits. But they are dissatisfied with the plans of both presidential candidates.

Many regions in Michigan show impressive economic recovery, yet Detroit lags behind. Manufacturing continues to provide a strong tie to the national economy and will bolster growth as long as auto sales remain strong. Long term, the universities, health care and alternative energy research can help provide stability. Stable home prices and new construction have boosted the housing market.

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 that will carry into 2017. This growth will support a federal funds rate increase in mid-December.

KEY FINDINGS

Outlook for the next six months

More Hiring Amid Weaker Sales

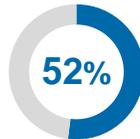
Michigan business owners have a mixed outlook about the next six months. More expect to hire while fewer expect their sales and profits to increase vs. spring. 38% say profits will rise vs. 46% in spring.



MI vs. U.S.: Nationally, 51% expect higher sales and 22% expect to hire.



Positive about Economy: Seven in 10 are optimistic about the local economy, on par with 70% in spring. 68% are positive about the U.S. economy, up significantly from 55% last spring. 80% are optimistic about their company's prospects, vs. 78% in spring.



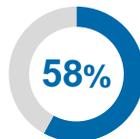
Sense of "Hope": Asked what term best describes their feelings about business prospects, 52% chose "hope." Another 16% chose "enthusiasm," while 15% chose "fear" and 6% picked "anger."



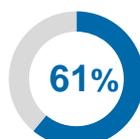
Pricing Pressures Stable: If the results are a bellwether, inflation may remain in check. Price pressures remain stable as 45% expect supplier prices to increase, unchanged from spring. A smaller number (26%) expect to raise their own prices vs. 37% in spring.



Limited Capital Spending: Fewer expect to increase capital investment – 19% vs. 27% in the spring.



Tentative about Profits: Nearly six in 10 expect to make a net profit this year vs. 67% six months ago. 20% expect to make more than 10% over operating expenses vs. 22% in the spring.



Unhappy with Candidates: When asked about the presidential election, Michigan owners are pessimistic. Six in 10 are not satisfied with how Hillary Clinton and Donald Trump are addressing the issues most important to them as business owners.

MI Owners Unfazed by New OT Pay Rule, Take Steps to Fight Cyber Fraud

Best Ways to Forecast Cash Flow



Creating a forecast to project when revenue comes in and payments go out is fundamental to managing cash flow. In the PNC survey, owners say the top tool for forecasting is internal spreadsheets followed by professional help from an accountant or banker and accounting software.

PNC INSIGHT



Keep Cash Flowing

Managing cash flow is among the most important things you can do for your business. Here are three tips to help track your cash flow:

1. **Maintain accurate and current books** to avoid surprises. Even the smallest business should update your books at least once or twice a month.
2. **Monitor and project your cash flow** to look for challenges and opportunities. This focus will help you optimize cash flow.
3. **Use a cash management tool or work with a financial advisor** to be prepared. In addition to monitoring current cash flow, it's wise to prioritize future projections and forecasts.

Limited Impact of OT Pay Rule

1 in 3 (34%)

owners have at least one employee expected to be covered by the new law.



New regulations on overtime take effect Dec. 1, 2016. 89% say it would not affect hiring in any way. 7% say they would reduce their workforce or cut back on hiring while 3% say they would hire more part-time employees.

Fighting Cyber Fraud

One in 10 (9%) say they have been a victim of an information security breach. Over eight in 10 (85%) say they take at least one precaution, the most common being antivirus software and backing up data. Next are using a firewall and encryption educating employees about cybersecurity.



Asked about banking services, 62% use online bill pay instead of checks. This was followed by business credit card and remote deposit. Chosen the least were fraud-fighting products, business debit card and mobile deposit.

PNC INSIGHT



Protect Your Business

Businesses use technology to increase speed and efficiency. But that same technology can increase cyber fraud risks. Here are four ways to reduce risk:

1. **Be wary of email attachments** from unfamiliar senders or unexpected files from colleagues. They can contain damaging malware.
2. **Use a dedicated device for banking transactions** to protect your account or card number, login information and customer data.
3. **Verify face-to-face or by phone** all new or changed transaction details. Don't rely on electronic communication.
4. **Use two people to review transactions.** This will mitigate employee fraud and identify unusual activity.