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**MAIN STREET VS. WALL STREET:
U.S. SMALL BUSINESS OWNERS INDICATE LESS ANGST
ABOUT CREDIT AVAILABILITY AND HOUSING MARKET ISSUES**
- PNC Economist Stuart Hoffman Sees Slow Growth, No Recession -

PITTSBURGH, Oct. 4, 2007 -- The well-publicized anxiety on Wall Street about credit availability and the housing market has yet to translate into the same degree of concern along Main Street among the nation's small and mid-sized business owners, according to the PNC Economic Outlook survey.

Steady interest rates and lower energy prices contributed to their stable outlook for sales and profits during the next six months compared to last Spring's survey. Their view is more positive compared to one year ago. Plans for hiring full-time employees, however, are down slightly from the Spring and on par with a year ago.

"Small business owners are not yet ringing the recession bell," said Stuart Hoffman, chief economist for the PNC Financial Services Group, Inc. (NYSE: PNC). "Based on our survey results, we expect the economy to remain on a path of slow but sustained economic growth."

Key Findings: Credit & Housing

Wall Street's credit squeeze and housing slump have yet to raise the same concerns among small business owners, he added, citing PNC's survey results. The study has been conducted every six months since April 2003 to gauge the mood and sentiment among small business owners who represent the bedrock of the American economy. Highlights include:

- **Credit Crunch – Not On Main Street:** Nearly nine out of 10 (87 percent) business owners who need credit say availability is the same or easier to get than three months ago, while only 13 percent said it is more difficult now. At the same time, plans for capital spending have steadily increased from PNC's last two surveys with technology remaining the top priority.

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- **Falling House Prices – Limited Small Business Impact:** The business owners' tempered view on the housing market is evident by the four out of 10 (43 percent) who expect local house prices to decline during the next 6-12 months while one-third (34 percent) expect prices to be flat. One out of four (23 percent) expect local prices to rise. Of those who expect a decline in house prices, less than a quarter (22 percent) expect it will adversely impact their sales and profits.

Stable Expectations

Reflecting stable interest rates and lower energy prices, business owners' expectations for sales and profits are on par with the Spring results and higher than one year ago, PNC found. With hiring, however, 27 percent expect an increase during the next six months compared to 32 percent in Spring and 25 percent last Autumn. PNC also found:

- **Active Capital Spending Plans:** Four out of five (80 percent) plan to make some type of investments in their business, up from 70 percent last Autumn. Technology equipment, mentioned by 26 percent of business owners, is most likely to receive the largest spending increase over the next six months with other types of business equipment (14 percent) a distant second, followed by physical plant and employee training (each at 10 percent).
- **Continued Cost Pressures:** Nearly two out of three (64 percent) expect to pay higher prices to suppliers, little changed from our two previous surveys. These results likely reflect limited declines in energy and other raw material prices. Over half (51 percent) expect an increase in employee compensation and healthcare costs (60 percent), little changed from 54% and 57 percent, respectively, a year ago.
- **Price Hikes for Customers:** A stable 40 percent plan to pass along some portion of their higher costs in the form of higher selling prices to customers. Of those who plan to raise prices, nearly one-fifth (21 percent) report favorable market conditions will allow it while three-quarters (77 percent) are attempting to preserve profit margins.

Economic Worries: Not In My Backyard

Business owners are more positive about their local economy's prospects during the next months than the U.S. economy. With a rating 8 to 10 (on a scale of 1 to 10), 21 percent are optimistic about the local economy and 22 percent pessimistic (rating 1 to 4). This is little changed from their local outlook in our past two surveys.

In terms of the U.S. economy, however, only 13 percent are optimistic while a significantly higher 28 percent are pessimistic, which was 22 percent in the Spring.

Asked about their top concerns, higher energy prices remain No. 1 from a list of five choices, but to a lesser extent than in PNC's past two surveys. Twenty-nine percent said a rise in energy prices would have the greatest impact on their business over the next six months compared to 31 percent in the Spring and 50 percent last Autumn. The likelihood of interest rate increases was the second greatest concern (21 percent), even as rates stabilized over the past six months.

For complete details of the national and regional survey results, visit www.pnc.com/eos.

The PNC Economic Outlook survey was conducted between late July and mid-August by telephone within the United States among 1,344 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 610 businesses nationally, while the remaining 734 interviews were conducted among businesses within PNC's primary region. Quotas were established by company revenue using the Dun & Bradstreet population. The sample was drawn to include a representative sampling of businesses by region and industry. Sampling error for the national results is +/- 4.0 percentage points. Sampling error for the various sub-samples would be higher and vary.

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