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coming year, but net hiring continues to shrink, reports PwC US's latest Private Company Trendsetter Barometer. Despite the most optimistic outlook for the US economy ...

Feb. 04, 2015

Economic barometer – 12-month outlook

Private-company leaders feel far more optimistic than pessimistic about the US and world economies.



* Optimism about the world economy reflects responses only from companies selling internationally

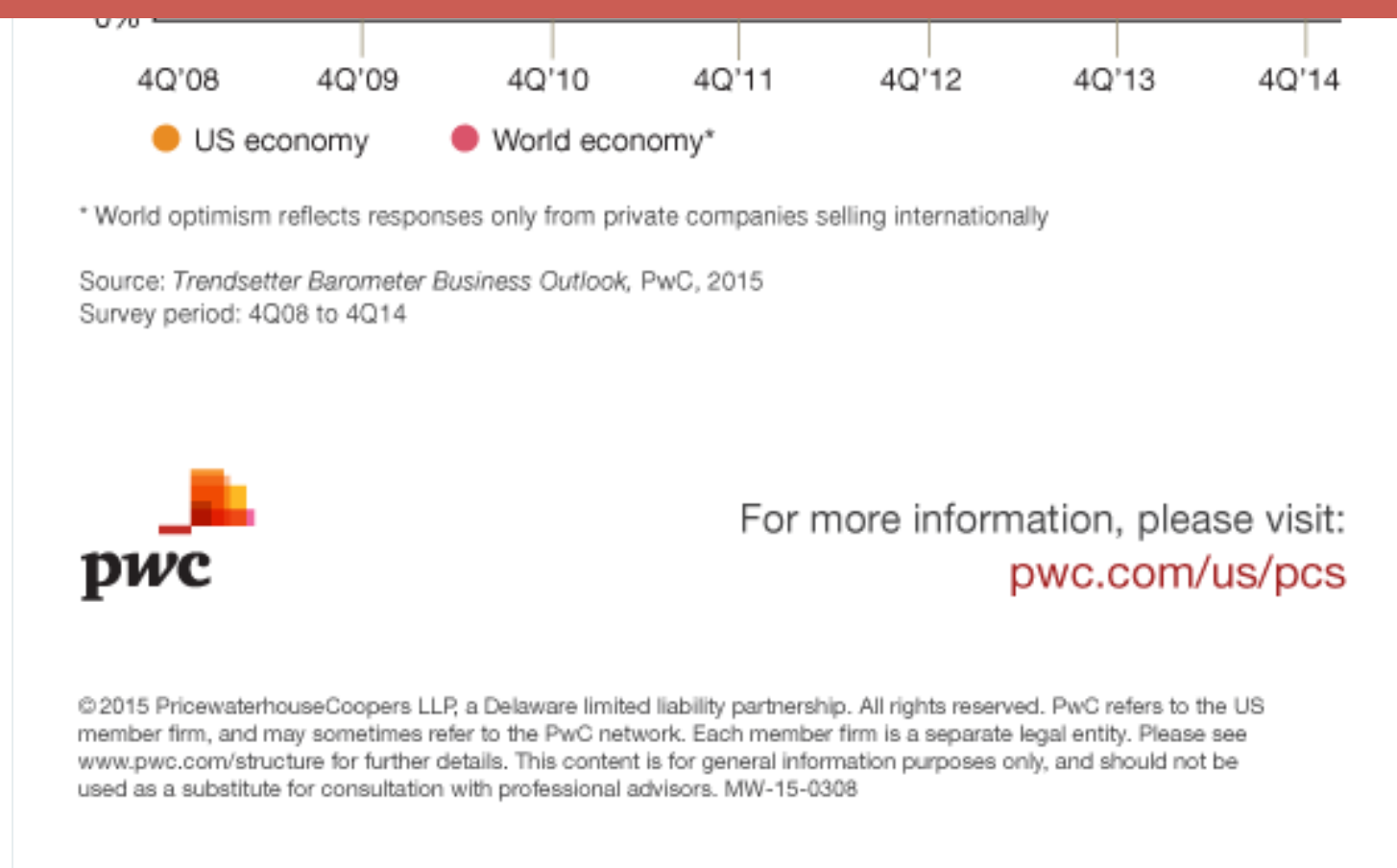
Source: *Trendsetter Barometer Business Outlook*, PwC, 2015
Survey period: 4Q 2014

The long view – Economic optimism over time

The majority of *Trendsetter* companies have voiced confidence in the US economy for two years now – the longest optimism streak since before the recession.

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Three-fifths of private companies plan to add full-time equivalent employees in the coming year, but net hiring continues to shrink, reports **PwC** US's latest Private Company Trendsetter Barometer. Despite the most optimistic outlook for the US economy since 2006, employment growth at private companies remains modest due to difficulty in finding qualified workers, among other factors.

Trendsetter companies surveyed in the fourth quarter expect their full-time equivalent employment to inch up by 1.6 percent in 2015 – below 2014's overall increase of 1.7 percent – even though these companies report economic confidence, stronger revenue forecasts, and significant gains in profitability over the past 12 months.

Fully one-third of survey respondents said they were unable to fill open positions

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wise, and when jobs remain unfilled, businesses can't grow as robustly or as quickly as they'd like. Private companies are trying to be part of the solution, partnering with community colleges and offering on-the-job training to create the skilled workforce they need right now and in the future."

Spending Holds Steady, Even with Misgivings about World Economy

Despite hiring challenges, 2014 proved a good year for private companies, particularly with respect to domestic activity. Revenues forecasts climbed, capital spending held strong, and profitability reached its highest level in nearly a decade.

In fact, when asked about the US economy, 73 percent of Trendsetter companies described it as growing – the largest share in years, and double that of about two years ago. This may owe in part, to the fall of energy prices, which has led to reduced cost pressure and more disposable income for many consumers.

However, the gap between private companies' increasingly positive view of the economy and their misgivings about the global economy continues to widen. This past quarter, only 31 percent described the world economy as expanding. Weakness abroad means increased pressure on exporters, requiring US companies that sell internationally to keep an eye on evolving conditions in foreign economies.

"Although businesses are enjoying positive market conditions at home, they are more cautious about spending than they were in the pre-recession years, even as the US economy steadily improves and private-company optimism stays high," says Ken Esch, a partner in PwC's Private Company Services practice. "This caution extends to the international arena – while private companies are staying the course in markets abroad, they're avoiding overly ambitious expansion plans for the moment."

Growth Opportunities for the Year Ahead

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One clear danger persists: the steady increase in the number of companies that worry about finding qualified workers. Thirty-seven percent are now voicing this concern, up nearly 10 points from a year ago and at its highest since the first quarter of 2008, when 40 percent of companies fretted about the skills gap.

Additional Survey Findings

On average, private companies are looking forward to 9.2 percent revenue growth in the next 12 months – the highest rate since early 2012. Almost two-thirds of private company leaders said, before year-end 2014, they would hit or exceed their full-year revenue targets, and another one-quarter said they would catch up to their sales targets by mid-2015. On average, companies are budgeting 2.76 percent in hourly wage increases for the next year, compared with 2.69 percent during the fourth quarter of 2013.

Each quarter, [PwC's Trendsetter Barometer](#) tracks the views of top executive officers at privately held US businesses and the trends these reveal. This quarter's report reflects conversations with 220 private-company leaders, including 121 from companies in the product sector and 99 in the service sector, with average enterprise revenues of \$504 million. The interviews took place between October 2, 2014 and January 5, 2015.

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