Houston Entrepreneurs Most Confident in Their Local Economy Among 10 Major American Cities

Tax Reform Contributing to Entrepreneurs’ Confidence as Digital Payments and Cutting-Edge Technologies Poised to Reshape the Small Business Landscape

Houston entrepreneurs feel increasingly optimistic about their economic and business outlook, as confidence in their local economy, revenue and long-term growth remain high, according to the spring 2018 Bank of America Business Advantage Small Business Owner Report.

The report, based on a semiannual survey of small business owners in 10 major cities and across the country, finds 74 percent of Houston entrepreneurs are confident their local economy will improve in 2018 — 18 percentage points above the national average and the highest level of local confidence among entrepreneurs in the major cities surveyed. A majority of Houston entrepreneurs are confident the national economy will improve (57 percent), more on par with the national average (54 percent).

Economic confidence is translating into a positive outlook on revenue and hiring. Seventy-three percent of Houston entrepreneurs believe their revenue will increase in 2018 (up 5 percentage points since spring 2017), and 36 percent of Houston entrepreneurs plan to hire more employees (down 4 percentage points year over year, but 14 percentage points higher than the national average).

Houston entrepreneurs are also looking forward to expanding their businesses in the year ahead. They are among the most likely in the country to plan to grow in 2018 (83 percent, 14 percentage points higher than the national average). In the longer term, 74 percent of Houston entrepreneurs plan to grow their business over the next five years (down 2 percentage points year over year).
“Houston small business owners have continued to show incredible resilience throughout months of recovery from Hurricane Harvey,” said Elizabeth Romero, small business central division executive at Bank of America. “Confidence in the local economy is soaring, and Houston entrepreneurs are eager to hire, expand in the short term and grow their businesses in the long term.”

Tax reform seen as a game-changer in Houston, while concern over health care costs escalates as worry over many other economic factors drop

According to the report, one of the greatest opportunities for Houston small business owners in the near term may be recent changes to the tax code. Sixty-five percent cite the new tax policy as a game-changer for small businesses overall, and 62 percent say it’s made them more optimistic about their business outlook.

Eighty-one percent expect to receive savings for their business because of the tax policy, and they plan to use those funds to fuel further growth, including:

- Investing back into their business (41 percent).
- Expanding operations (24 percent).
- Awarding raises and bonuses to employees (19 percent).

They also found Houston entrepreneurs’ concern over several economic challenges has declined year over year. An exception to this trend is health care costs, with 71 percent of Houston business owners expressing concern (up 8 percentage points year over year). Other top concerns include:

- Commodities prices (49 percent, down 4 percentage points year over year).
- Strength of the U.S. dollar (48 percent, down 7 percentage points year over year).
- Consumer spending (42 percent, down 18 percentage points year over year).

All-digital payments predicted within the next five years, while smartphone use is widespread

Perhaps one of the most significant innovations disrupting the small business marketplace is in the digital payments space, with 65 percent of Houston entrepreneurs predicting all business payments will be digital within five years.

The report also found that mobile use is nearly universal among small business owners across the country, with 91 percent of Houston entrepreneurs using smartphones and other mobile devices to
manage their business, including:

- Basic tasks (72 percent).
- Digital banking (56 percent).
- Social media updates (43 percent).
- Digital payments (40 percent).

Two decades into the internet era, the role of the business website is less relevant, as only 58 percent of Houston entrepreneurs report having a website. Sixty-two percent of business owners who have a website use it to share basic information, while 29 percent primarily use it to drive sales.

**Greater adoption and reliance on technology comes with some risk**

Greater reliance on technology can also create challenges for Houston entrepreneurs, as half believe their business would suffer if the internet crashed for a week, including 39 percent who say they would lose revenue and 29 percent who say they would lose customers. In addition, 9 percent of Houston entrepreneurs say they have been impacted by a data breach in the last year.

Although there are some risks with the increasing role of new technologies in business, Houston small business owners believe the positives far outweigh the negatives, with 79 percent believing their future success is dependent on technology more so than threatened by it (21 percent). In addition, 83 percent make at least annual investments in technology, and 37 percent do so at least once per quarter.

**Emerging technologies set to transform the Houston small business landscape, while blockchain remains a big question mark**

Small business investment in emerging technology is advancing at a rapid pace in Houston, with 55 percent of survey respondents reporting they use or are currently exploring the use of advanced technologies for their business, specifically:

- The Internet of things (26 percent).
- Data analytics (21 percent).
- 3D printing (8 percent).
- Artificial intelligence (8 percent).
- Drones (8 percent).

There is still a lot to learn about blockchain. Sixty-three percent of Houston business owners say they aren’t familiar with distributed ledger technology, and only 11 percent believe it will be relevant to their business in the near future.

For a complete, in-depth look at the insights of the nation’s small business owners, read the spring 2018 Bank of America Business
Bank of America Business Advantage Small Business Owner Report
GfK Public Communications & Social Science conducted the Bank of America Small Business Owner Report Survey for spring 2018 online between February 12 and March 26, 2018 using a pre-recruited online sample of small business owners. GfK contacted a national sample of 1,031 small business owners in the United States with annual revenue between $100,000 and $4,999,999 and employing between two and 99 employees. In addition, a total of approximately 300 small business owners were also surveyed in each of ten target markets: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, San Francisco and Washington, D.C. The final results were weighted to national benchmark standards for size, revenue and region.

Prior to 2016, previous waves of the Small Business Owner Report Survey were conducted by telephone and while best efforts were made to replicate processes, differences in sample, weighting and method suggests caution when making direct statistical comparisons of the results from pre-2016 and post-2016.

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Reporters May Contact:
Britney Sheehan, Bank of America, 425.467.9744
britney.w.sheehan@bankofamerica.com

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