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SMALL BUSINESS

Small Business Owners Expect a Recession, But Few Are Ready for One

70% say they anticipate a recession within the next six months, but only 37% are prepared for it, survey finds.

Oct. 20, 2022



In two years, small businesses have weathered a global pandemic, a supply chain crisis, labor shortages and increasing costs forced by inflation. A recent [Agency Forward survey](#) from Nationwide reveals that few see relief in the near term and are taking alarming measures to protect their business as they anticipate a recession in the coming months.

Current economic environment is taking a toll on America's small businesses

Only 27% of small business owners say current business conditions are strong in the U.S., and just over a third feel similarly about their own region or city (36%). Their outlook for the future is even more grim with 70% of small businesses anticipating a recession in the next six months, but only 37% feeling ready for it.

The survey also shed light on how business owners have been recently affected by economic instability:

- Six in 10 small business owners say inflation and rising costs have negatively impacted them.
- 35% say they have been negatively impacted by interest rate hikes.
- Almost four in 10 (39%) say their business revenue has decreased over the past six months, with most declines being as high as 30%.

Small business owners are looking for creative ways to protect themselves from economic instability

Nearly six in 10 (58%) business owners have explored areas to cut expenses within the last six months. Some of the more drastic measures include 38% of business owners using personal savings to support their business, while 22% have canceled/postponed a major business investment. Perhaps the most alarming are the cuts that could impact the jobs market—some owners either have already or plan to pause hiring (38%), or furlough workers/reduce hours (23%) as they prepare for tougher times ahead. Only 14% plan to hire new employees. Additionally, about four in 10 say they are not planning to offer raises (42%) or bonuses (41%) to their employees this year.

“Small businesses are struggling to maintain operations under current inflation and labor market trends,” said Eric Coleman, senior vice president of small business insurance at Nationwide. “Getting back on track isn’t going to be easy if their

predictions of a recession play out. What would be worse though is if, in an effort to cut costs, owners ended up putting their business at risk in the long term.”

Insurance policies may look like easy savings, but policy changes can come with long-term effects

Small business owners are reconsidering their insurance policies as a way to manage expenses ahead of anticipated economic gloom with 84% saying they have reviewed or plan to review their insurance policies soon. As they look to reduce operational costs, 51% of business owners say they would be likely to decrease their business’s current insurance coverage or limits to cut back on spending if a recession occurs. This may be because 52% expect their premiums to increase over the next six months.

“With so many small business owners considering changes to their insurance, it is startling that only 29% of owners have connected with their agent to discuss their policies, especially as inflation and supply chain issues continue to drive up repair costs and timelines,” said Coleman. “In those conversations, business owners should ask about and consider how lack of coverage or appropriate limits could impact their operations in the future. Making decisions and updates without speaking to an agent could counter cost-saving attempts.”

Nationwide partnered with Edelman Data & Intelligence to conduct a 15-minute national online survey of 401 small business owners, defined as sole or part owners of companies with 1-50 employees and less than \$10 million in annual revenue. The survey was fielded from Sept. 6-19, 2022.

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