

## Small Business Owners' Confidence in the National Economy Drops, Inflation Concerns Continue

*1 in 5 small businesses believe the U.S. economy is in good health*

**March 29, 2023**

**Washington, D.C.** — The MetLife and U.S. Chamber of Commerce [Small Business Index](#), released today, dropped slightly this quarter to 60 from 62.1 as small business owners' outlook on the national economy weakened.

One in five (20%) small business owners believe the U.S. economy is in good health, down from 27% saying the same last quarter. Also contributing to the drop, fewer small businesses say they plan to increase investment over the next year (38% vs. 47% last quarter).

Despite small business owners seeing a weak economy, a majority (63%) say their business is in good health and 64% are comfortable with their cash flow—both stable over the last couple of quarters. Seven in 10 (69%) say they have retained the same number of employees over the past year and 19% report increasing staff over the same period.

“This quarter, small businesses’ concerns over inflation are soaring and their view of the broader economy is darkening, though they still report that their own businesses are in good health,” said Tom Sullivan, Vice President of Small Business Policy at the U.S. Chamber of Commerce. “Small business owners are pulling back a bit on spending as they see storm clouds in the economy appearing ahead.”

**Small Business Index Score Q2 2019 - Q1 2023**



### Top Challenges

This is the fifth consecutive quarter where inflation tops the list of challenges for small business owners. A record high of 54% of small businesses now say inflation is a top challenge. Top concerns include:

- Inflation costs – 54%
- Revenue – 22%
- Supply chain issues – 21%
- Interest rates rising – 16%
- Employee retention – 11%

- Affording healthcare/benefits – 10%

Hrag Kalebjian, Owner of Henry's House of Coffee in San Francisco, says inflation continues to be top-of-mind.

"For my industry I would say inflation is still going up. Case in point is our cost of coffee, labor, and overhead like gas and electricity. In San Francisco, specifically, each July 1 the minimum wage increases based on the annual increase in the Consumer Price Index. For me that means my rate jumps from \$16.99 to \$18.07 or 6.36%. The challenge is keeping up with these costs, and constantly raising my prices. It seems as though I can't keep up."

This quarter's survey also asked small business owners about how they are accessing capital and navigating healthcare benefits for employees. Small businesses owners cite various barriers to securing financing for their business including a time-consuming application process (52%), not having enough information on available sources of capital (46%), and not having enough revenue or assets to qualify for a loan (46%).

When it comes to providing healthcare for employees, 85% of small business owners believe offering healthcare helps attract and retain employees. However, the majority say navigating healthcare options is time-consuming (65%) and a similar share (62%) believe the cost of healthcare crowds out other priorities for their business.

"Despite anticipating potential economic headwinds in the coming months, it is encouraging to see that the majority of small business owners say their business is in good health," says Cynthia Smith, senior vice president, Regional Business at MetLife. "It is also promising to see the majority have been able to retain and attract talent. Small business owners have remained focused and determined, so it is not surprising to see them persevering in uncertain times."

Additional findings:

- **Views of local economy steady.** Perceptions of local economies have remained stable the last three quarters following a decline between Q2 and Q3 2022. 29% of small businesses said their local economy was good this quarter.
- **Access to capital has declined in the last five years.** About half (49%) of small business owners say their current access to capital or loans is good, slightly lower than those who said the same in Q2 2022 (54%), and significantly lower than in Q2 2017 (67%).
- **Small businesses with less than five employees are more likely to turn to personal savings** to fund their businesses. 75% of small businesses with fewer than five employees report that they rely on personal savings to finance their business, compared to 59% for businesses with 5-19 or 20-500 employees.

### About the Small Business Index

The MetLife and U.S. Chamber of Commerce [Small Business Index](#) is part of a multiyear collaboration by MetLife and the U.S. Chamber to elevate the voice of America's small business owners and highlight the important role they play in the nation's economy. The quarterly Index, an online survey of approximately 750 small business owners and decision makers, is designed to take the temperature of the sector, see where small business owners are confident, and where they are experiencing challenges.

The Q1 2023 survey was conducted January 16 - February 2, 2023. The survey has a credibility interval of plus or minus 4.4 percentage points for all respondents.

### **About the U.S. Chamber of Commerce**

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations.

They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy.

### **About MetLife**

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