



Confidence Among Small to Midsize Businesses Waning Amid Economic Downturn

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The CBIZ Main Street Index reveals rising borrowing costs, sticky inflation and staff retention as the most prevalent challenges facing SMBs ahead of likely recession

CLEVELAND--(BUSINESS WIRE)--May 24, 2023-- [CBIZ, Inc.](#) (NYSE: CBZ), a leading provider of financial, insurance and advisory services, has released the results of its Q2 2023 Main Street Index, taking the pulse of and gauging the outlook for small and midsize businesses (SMBs) amid the current economic downturn. The results show contractions in all facets of business sentiment, most notably revenue and access to credit. The responses brought the index's Business Confidence Study, a weighted average of SMB confidence-focused questions, down from 68 points last quarter to just above 60 points.

The index depicts a sharp rise in business owners who are concerned about retaining their full staff over the next quarter, as layoffs persist despite relatively strong month-over-month hiring data. Almost half of respondents (48%) listed employee retention as a top concern, up 25% from Q1. Retaining employee headcount trailed worries about a recession (62%) and having enough skilled workers on staff (56%) as the most common concerns, with layoffs across many sectors continuing due to tightening credit conditions and inflation remaining stubbornly high.

"There's a lagging effect to last year's interest rate hikes," said Anna Rathbun, chief investment officer of CBIZ Investment Advisory Services. "The latest CBIZ Main Street Index shows the Fed's actions, along with other factors, are starting to open more cracks in the foundation of the economy. A recession is like a zero-sum game. There will be winners and losers. We're going to be keeping a close eye on the small and midsize businesses that are poised to do well during the downturn. The coming months will test the durability and savviness of business owners, especially those in industries that are not recession-proof."

Based on a survey conducted between April 24 and May 5, the index analyzed responses from 753 businesses with fewer than 100 employees in 31 industries across the U.S.* The index assesses a range of timely trends, including business sentiment, areas of growth and decline, and price changes due to inflation and inventory levels.

The data was evaluated from an overall perspective, as well as based on company size, region and industry. An interactive infographic with the results is available on the [CBIZ website](#). Key findings include:

- **51% of respondents have a negative or neutral outlook on the economy:** As multiple economic indicators point to a slowing economy, the index revealed that only 49% of respondents reported positive or very positive business confidence over the next six months. Additionally, more than seven in 10 expected a further downturn in the economy, on par with last quarter's survey.
- **Sharp rise in concerns about employee retention amid unsettled labor market:** A rising number of businesses are concerned about retaining employees amid a labor market that is experiencing steady hiring but also layoffs across many sectors. More than 48% of respondents listed employee retention as one of their key concerns this quarter.
- **Over 75% of companies raised prices of goods and services in the last quarter:** More than three in four businesses reported price increases by at least 1% over the past three months, up from 72% in Q1, due to high inflation remaining persistent, low inventory levels or other factors. Additionally, more than 55% of businesses said they've raised prices by 5% or more.
- **Rising interest rates are having a greater impact on business funding:** Twenty-seven percent of respondents said higher interest rates have impacted the funding needs of their businesses, up from 17% in the first quarter. Meanwhile, 64% of companies reported experiencing higher borrowing costs, a figure that remains unchanged from last quarter.

**Note: Not all those surveyed in the CBIZ Main Street Index are clients of CBIZ.*

About CBIZ

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