

Cash Flow Concerns Rise as SMBs Brace for Economic Downturn

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Pointing to a challenging Q4, 67% of small to mid-sized businesses anticipate further economic decline, with cash flow concerns at the forefront

CLEVELAND--(BUSINESS WIRE)--Sep. 19, 2023-- [CBIZ, Inc.](#) (NYSE: CBZ), a leading provider of financial, insurance and advisory services, has released the results of its Q3 2023 Main Street Index, taking the pulse of and gauging the outlook for small and mid-sized businesses (SMBs) amid the current economic downturn. While most businesses expect the economy to continue its current downturn, additional data points to some concerns on Main Street, notably with cash flow and higher borrowing rates.

While down seven percent from Q2, still two in three (67%) SMBs expect an economic downturn. Sixty-five percent of businesses felt moderately to very confident that they have the cash flow sufficient to continue operations in the event of a down market or other market disruption. Thirty-five percent have anywhere from wavering to no confidence. Ranked from zero (no confidence) to 10 (completely confident), only 13% of businesses shared a sentiment of three or below. Additionally, the Index saw a sharp rise in Main Street businesses experiencing higher borrowing costs, with 41% reporting they faced higher rates on new loans or in refinancing, compared to 27% of businesses in Q2.

“Cash flow is the lifeblood of any business and is what stands between growing and going bankrupt. Similar to how consumers are feeling the pinch, in part due to running out of stimulus and the resumption of federal student loan payments, PPP funding for small to mid-sized businesses is running dry,” says Anna Rathbun, chief investment officer of CBIZ Investment Advisory Services. “This financial pressure is forcing many Main Street businesses to make tough decisions, especially around labor. The data suggest a concerning trend: Businesses may have leaned into the side of overhiring amid the labor shortage concerns, and now, as demand for discretionary goods wavers, we’re seeing a workforce that’s not being fully leveraged. It clearly indicates the broader economic challenges we’re facing.”

Based on a survey conducted August 7-28, the Index analyzed responses from 902 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 cash flow.

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:

- **Product and service prices continue to rise due to inflation or inventory levels:** Nearly 57% of companies raised prices in Q3, on par with the same data point from Q2. While the price increases continue, sharp price increases are tapering off. Just under 20% of companies raised prices for customers and vendors anywhere from one to four percent, up more than five percent from Q2. This may indicate a tapering down of dramatic pricing corrections to more of a steady inflationary pricing strategy.
- **Some companies are unable to utilize the full workforce:** Almost 30% of companies indicated their workforce was not fully utilized. Over 20% are retaining their underutilized workforce to pit against possible future needs.
- **Layoffs inch up:** Eighteen percent of SMBs reported layoffs this quarter, though just about 12.5% of that group shared the cuts had only a slight impact on their business operations. This percentage of businesses reporting layoffs rose just two percent from Q2 but has increased almost seven percent from Q1.
- **Employee Turnover:** More than 54% of businesses reported an increase in workers leaving their business, up from around the 50% mark in both the first and second quarters.

“Looking toward the holidays and year end, we’re keeping an eye on whether businesses will meet expectations they set for sales. There is uncertainty as to whether consumers will meet those expectations. If consumer spending comes back stronger than expected, that could be a positive sign for the economy,” says Rathbun.

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

About CBIZ

CBIZ, Inc. provides professional business services that help clients better manage their finances and employees. CBIZ provides its clients with financial services, including accounting, tax, financial advisory, government health care consulting, risk advisory, real estate consulting and valuation services. Employee services include employee benefits consulting, property and casualty insurance, retirement plan consulting, payroll, life insurance, HR consulting and executive recruitment. As one of the largest accounting, insurance brokerage and valuation companies in the United States, the Company’s services are provided through more than 120 Company offices in 33 states. For more information, visit www.cbiz.com.

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