

Small and Mid-Sized Businesses Report Rise in Economic Confidence as Interest Rate Concerns Decline

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The Q1 CBIZ Main Street Index reveals shortage of skilled workers and potential recession among top issues

CLEVELAND--(BUSINESS WIRE)--Feb. 20, 2024-- [CBIZ, Inc.](#) (NYSE: CBZ), a leading provider of financial, insurance and advisory services, has released the results of its Q1 2024 Main Street Index, taking the pulse of and gauging the outlook for small and mid-sized businesses (SMBs). Companies reported a notable positive shift in economic sentiment, with only 33% reporting concerns about interest rates affecting their bottom line, compared to 61% in the third quarter of 2023. Still, more than four in 10 businesses (44%) have some degree of concern about a recession.

The Index also found labor challenges persist for SMBs. Staffing concerns accounted for two of the three top issues, with the worry of having an adequate number of skilled workers on staff (47%) topping the list and employee retention (39%) the third highest. Headcounts remained more stable this quarter (63%), compared to Q3 of last year (54%), with businesses reporting fewer hiring freezes and layoffs. The Index found nearly half of companies remain focused on enhancing compensation and benefits packages to address these workforce issues.

“The drop in rates of the 10-year treasury bond and 30-year fixed rate mortgage, both of which peaked in October, has not only lessened funding concerns for small and mid-sized businesses but fears of a recession, as well,” said Anna Rathbun, chief investment officer of CBIZ Investment Advisory Services. “The only thing the fall in rates hasn’t solved is the skilled worker problem. Dating back to the early stages of the pandemic, the Main Street Index has illustrated a consistent theme of companies hiring and hoarding labor. However, we’re now at a different stage. These businesses have enough people on their payroll and, while they may not be using their staff to full capacity, owners are making a concentrated effort to retain these employees.”

Based on a survey conducted January 9-26, the Index analyzed responses from 1,304 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](#). Additional key findings include:

- **Business confidence rises to its highest level in a year:** The Index’s Business Confidence Study saw its highest weighted average since the first quarter of 2023, 65.7, a 12-point rise from Q3 of last year. More businesses reported a drop in labor costs and prices paid. Additionally, 51% of SMBs stated prices paid for products and services stabilized this quarter, compared to nearly 44% in Q3 of last year.
- **SMBs taking varied approaches to preparing for economic downturn:** Nearly six in 10 businesses (59.3%) stated they plan to increase sales efforts to stave off the effect of a potential recession. Owners say they’re also planning to cut overhead (39%), increase their cash base (34%) and make efforts to diversify their client base (32%).
- **Businesses feeling less of a burden of borrowing costs:** Fewer businesses (72%) taking out a loan stated they experienced higher borrowing costs, compared to Q3 of 2023 (78%). Additionally, compared to the previous Index, 15% more businesses shared that higher borrowing costs are not impacting their funding needs.
- **On AI, positives outweigh the negatives:** 31% of SMBs reported a positive or very positive outlook on the use of artificial intelligence within their organization, though just 25% shared they plan to invest in AI tools over the next 12 months. Just 12% stated they’re concerned or very concerned about the effects of AI on their business.

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.

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

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