

Small Business Index

Q4 2022

WWW.SBINDEX.US



The Voice of Small Business Owners

PRESENTED BY



U.S. Chamber of Commerce

Contents

Index Summary
4

Index Highlights
6

Quarterly Spotlight
8

Key Findings
16

Index Snapshots
18

Regional Scores
20

Methodology
21

About Us
23

INDEX SUMMARY

Index Steady as Small Businesses Say High Inflation Still Top Concern

More small businesses this year say holiday season is important for overall profit

This quarter, small businesses’ concern over inflation remained at record highs as small businesses enter a crucial holiday season according to the latest MetLife & U.S. Chamber of Commerce Small Business Index. This quarter’s score of 62.1 matches last quarter’s score, which marked the largest quarterly drop since the Index plummeted at the start of the pandemic.

Overall, the survey—conducted between October 11-27, 2022—shows a remarkable consistency with findings last quarter across nearly all the questions that comprise the Index. This consistency reflects continued feelings of uncertainty about the broader economic environment that small business owners face.

Small business owners say inflation remains the top challenge (53%) for the fourth consecutive quarter, having jumped 30 percentage points since this time last year. Additionally, roughly four in five say rising prices have had a significant impact on their



62.1

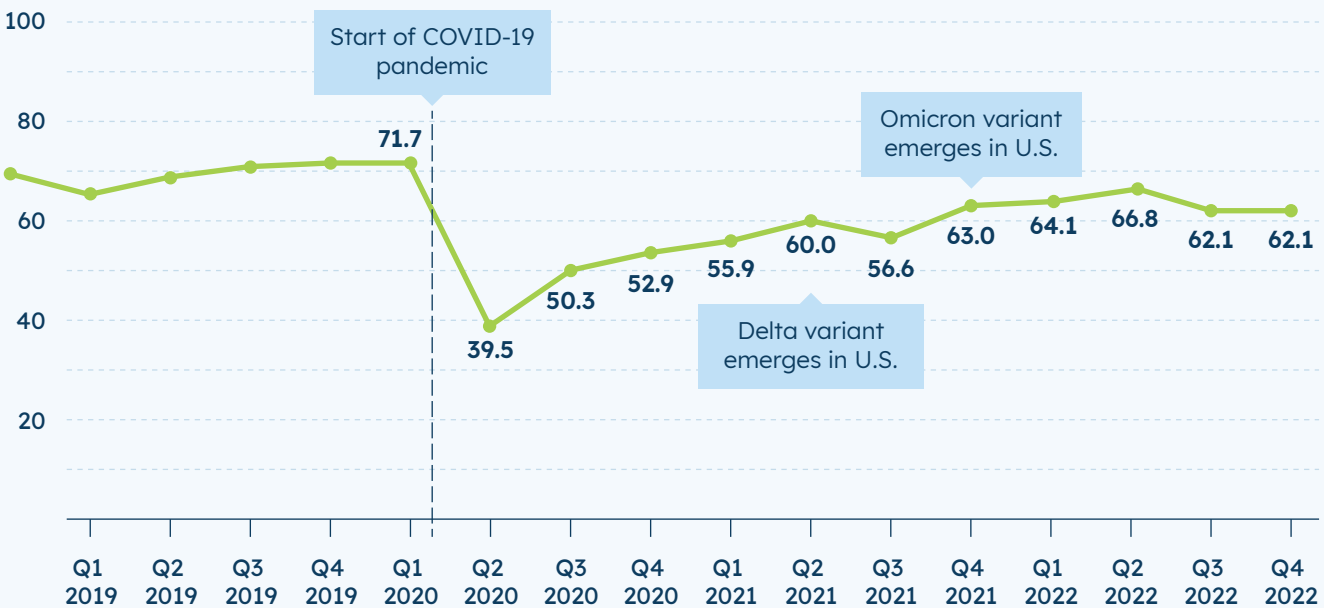
2022 Q4 Score

business this year, a consistent share for the third consecutive quarter. Meanwhile, concerns over supply chain issues have slightly cooled, shifting six percentage points down from last quarter (20% vs. 26%, respectively).

The upcoming holiday season is increasingly pivotal for small businesses’ overall profit, but there may be increased anxiety about it, especially for retailers. About eight in ten small businesses say the upcoming holiday season is important for their overall profit, a nine-percentage-point increase compared to this time last year (Q4 2021). Three in five say they expect less revenue than usual this holiday season.

Finally, most small businesses report giving back to their local communities. Two-thirds of small businesses (66%) say they have donated to local charities over the past year. While over half say they have encouraged employees to shop at local small businesses (70%), sponsored or donated goods/ services to local events (64%), or offered discounts to certain groups within the community (56%). Furthermore, nine in ten say businesses should give back to their local communities, and four in five say they have a clearly defined mission that includes giving back. Likewise, about nine in ten (93%) report having taken at least one step to engage with their community in the past year.

Small Business Index Score Q1 2019 - Q4 2022



INDEX HIGHLIGHTS

Small Business Index

Q4 2022 – 62.1

The MetLife and U.S. Chamber of Commerce Small Business Index score for Q4 is 62.1. The Index score for Q3 2022 was also 62.1. At the start of the pandemic in Q2 2020, it reached an all-time low of 39.5.¹



Index score is unchanged.

The MetLife & U.S. Chamber of Commerce Small Business Index remained at 62.1 for a second quarter in a row. In Q3 it had fallen significantly, representing the largest quarterly drop since the start of the pandemic.

Inflation remains the top concern, by far.

Over half of small businesses (53%) say inflation is the top challenge facing the small business community, a dramatic 30-point increase since this time last year. This marks the fourth consecutive quarter that inflation tops the list of challenges.

Supply chain concerns fade.

Concerns over supply chain issues have slightly cooled, shifting six percentage points from last quarter (20% vs. 26%, respectively). However, 61% say they expect supply chain disruptions will make it difficult to manage the coming holiday season.

Vast majority see a crucial holiday season.

79% say the upcoming holiday season is important for their overall profit, a nine-percentage-point increase from this time last year.

Small businesses anticipate rising holiday prices in response to inflation.

69% report expecting to raise the prices of goods or services this holiday season due to inflation. Also, 61% report expecting less revenue than usual this holiday season because of inflation.

Over half of small businesses report making community donations.

Two-thirds of small businesses (66%) say they have donated to local charities over the past year. While over half (56%) say they have offered discounts to certain groups within the community.



Other top ways for small businesses to give back include encouraging employees to shop at other small businesses in the community (70%), and sponsoring or donating goods/services to local events (64%).

Small businesses see steady economic patterns.

64% report that their business is in good health, unchanged from Q3 2022 (65%) and Q2 2022 (66%). Roughly three in ten (27%) say the U.S. economy and their local economy (30%) are in good health, consistent with Q3 2022.

1. Since we moved to monthly (or near-monthly) tracking for much of 2020, the Index ratings for Q2 2020 and Q3 2020 are based on an average of responses from all surveys in that quarter. The Q3 2020 Index was calculated based on 1,100 interviews from the July and September surveys. The Q2 Index was calculated based on 1,500 interviews from the April, May, and June surveys. From Q4 2020 to the present, the Index score is calculated based on a single survey of approximately 750 interviews per quarter. While significant changes in data points from Q1 2020 to the pandemic-era quarters can largely be attributed to the recent economic environment, switching from a phone to online approach may have also generated a mode effect.

Inflation Remains Biggest Challenge This Quarter and Through 2022



Inflation remains biggest concern by far for small businesses

Inflation remains the single top concern among small business owners this quarter. At the same time, other concerns including revenue, supply chain issues, rising interest rates, and access to credit are viewed as second-tier challenges.

More than half (53%) of small businesses say inflation is the biggest challenge small business owners face right now. This marks the fourth consecutive quarter that inflation tops the list of challenges and a whopping 30-percentage-point increase compared to this time last year (Q4 2021).

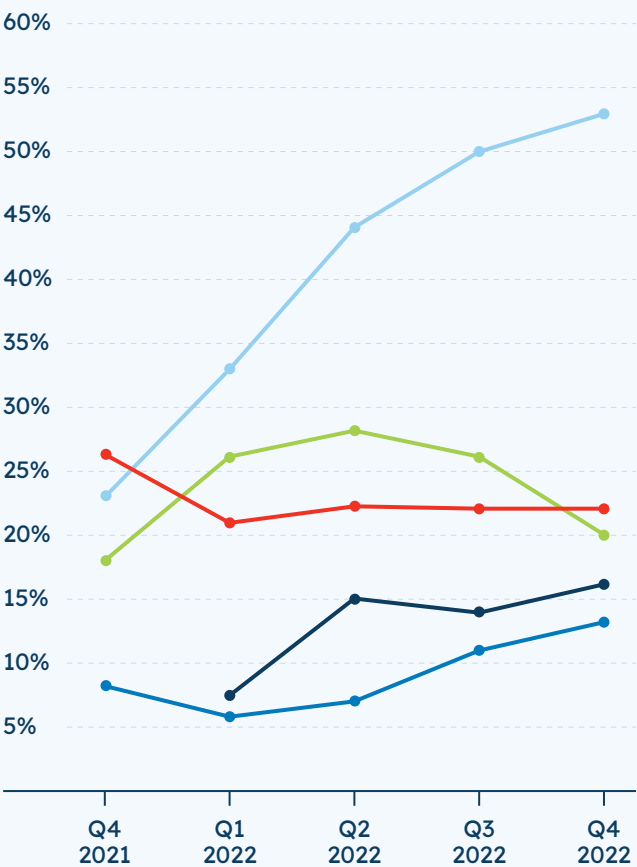
About 3 in 10 small businesses cited a staffing concern as one of their top challenges. Of the staffing challenges, small business owners are concerned about employee retention (11%), lack of applicants for job openings (8%), low quality of job applicants (8%), and employee well-being/morale (7%).

Concerns over supply chain issues have slightly cooled, shifting six percentage points down from last quarter (20% vs. 26%, respectively). Similarly,



Top 5 biggest challenges facing small business owners

- Inflation costs
- Supply chain issues
- Revenue
- Interest rates rising (added Q1 2022)
- Access to credit or a loan



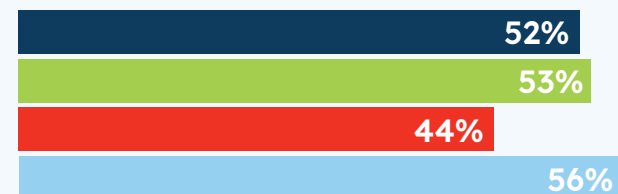
“The landscape I would say looks good, but we need to find the right hires that believe in our mission. It’s not finding employees, but finding and keeping good problem-solvers that is tricky and not having enough staff is what’s holding us back a little.”

**Albert Vega, CTO and Co-Founder
Building Momentum, Alexandria, VA**

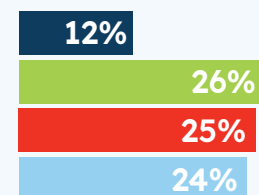
The biggest challenges facing small business owners right now ²

- Manufacturing
- Services
- Retail
- Prof. Services

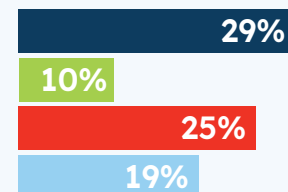
Inflation costs



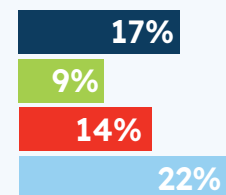
Revenue



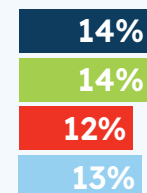
Supply chain issues



Interest rates rising



Access to credit or a loan



22% report revenue as a top concern (same as in Q3 2022), 16% say rising interest rates are a top concern (was 14% in Q3), and 13% say access to credit or a loan was a top concern (was 11% in Q3). Only 11% say COVID-19 safety protocols are a top concern.

For the third consecutive quarter, about four in five small businesses say rising prices have had a significant impact on their business this year, which translates into a 12-percentage-point increase compared to this time last year (83% now vs. 71% in Q4 2021). Small businesses in retail (88%), manufacturing (87%), and professional services (84%) are all more likely than those in services (75%) to agree with this sentiment, though a vast majority of businesses agree across all sectors.

Similar to last quarter, inflation is the top concern for small businesses regardless of location, number of employees, or sector. For those in the professional services sector, inflationary concerns have grown since last quarter (56% vs. 43%).

80%

of small businesses say rising prices have had a significant impact on their business this year

2. Prior to Q3 2022, this question was worded, "Which of the following are the biggest challenges facing small business owners coming out of the COVID-19 pandemic? You may select up to two."



Small Businesses See This Holiday Season as Especially Vital

Upcoming holiday season pivotal for overall profits

Against the background of rising inflation and economic uncertainty, small business owners report that this holiday season is increasingly critical for their businesses’ finances. Eight in ten (79%) small businesses say the upcoming holiday season is important for their overall profit, a nine-percentage-point increase from when this question was asked this time last year (70%).

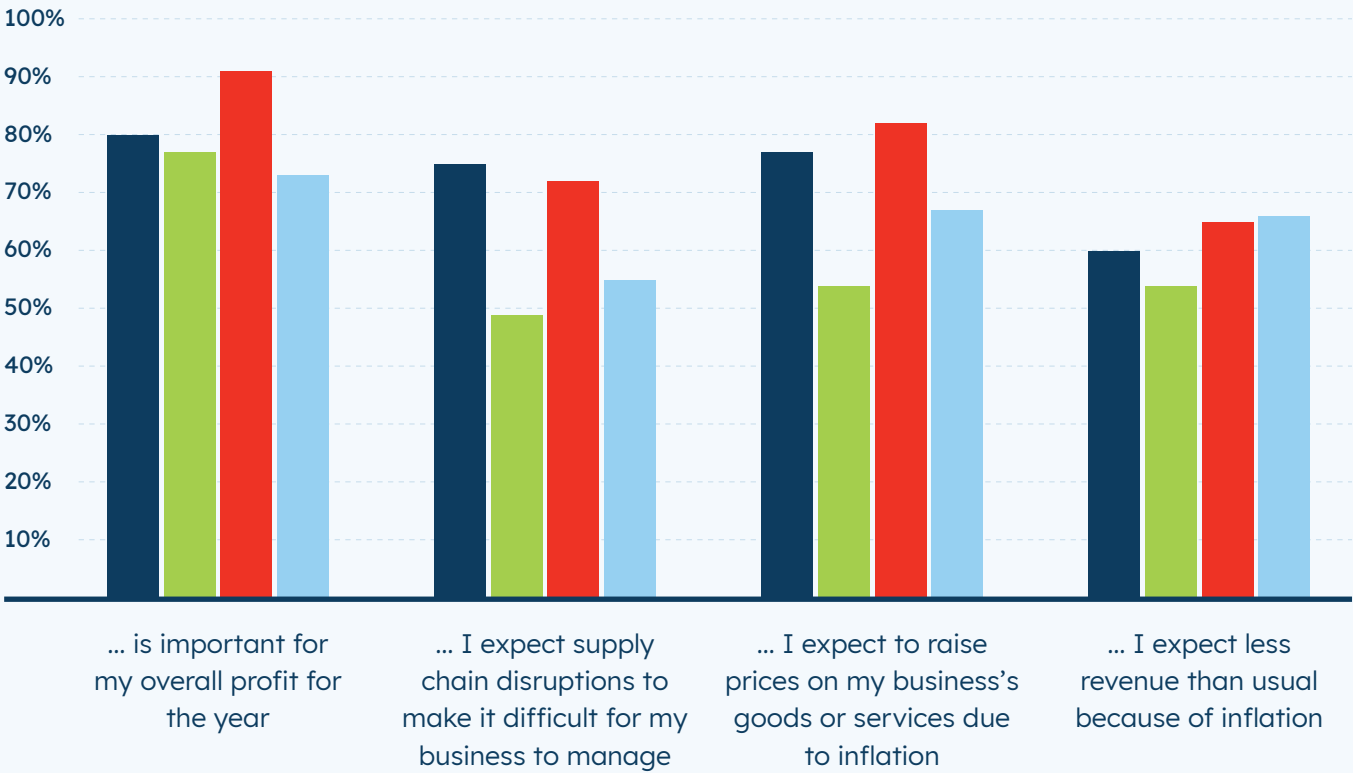
This heightened importance is particularly true for small businesses in the retail sector, where nine in ten (91%) say the upcoming holiday season is important to their overall profit, and over half (55%) say it is very important. This marks a 16-percentage point jump in retailers saying the holidays are very important compared to Q4 2021. Additionally, small businesses run by Gen Zers or millennials (49%) are more likely than those run by baby boomers (19%) to say the upcoming holiday season is very important to their overall profit for the year, as are people-of-color-owned small businesses compared to non-POC-owned businesses (50% vs. 37%).



Despite the growing importance of the holiday season to many small businesses, concerns with supply chain disruptions are consistent with last year: three in five still think these disruptions will make it difficult for their business to manage the upcoming holiday season (61% now vs. 60% in Q4 2021). These supply chain concerns are especially high among the largest small businesses (those with 20–500 employees)—compared to the smallest (those with 0–4 employees)—and those in the manufacturing and retail sectors.

This upcoming holiday season...

● Manufacturing ● Services ● Retail ● Professional Services



Small business owners’ top concern, inflation, is also filtering into how they view the upcoming holiday season. Seven in ten (69%) report expecting to increase the prices of goods or services this holiday season due to inflation. Also, 61% of small businesses say they expect less revenue than usual this upcoming holiday season due to inflation.

Small businesses that say this holiday season will be important—such as retailers—are especially likely to say they expect less revenue due to inflation this holiday season, and in turn, they expect to increase their prices. Specifically, of the 79% who feel the upcoming holiday season is important to their overall profits this year, two-thirds (66%) say they expect less revenue due to inflation, versus only 46% of those who say the upcoming holiday season is unimportant.

“I am hopeful that inflation is nearing its peak. Consumer spending is still up and I’m forever the optimist. That said, the cost of doing business continues to be a challenge, with wage wars and ongoing issues with the supply chain.”

**Rhonda Sideris, President & Founder
Park City Lodging, Park City, UT**

Small Businesses Prioritize Helping Their Local Communities

Despite lingering economic concerns, most small businesses give back

This quarter’s survey finds that small businesses not only say that businesses should give back, but also that the majority have actively given back to their communities in the past year.

Ninety-three percent of small businesses say they have taken at least one of the specific actions when asked about how they engage with their community in the past year. These include:

- **Seven in ten (70%) small businesses saying they have encouraged employees to shop at local small businesses.**
- **Two-thirds of small businesses (66%) saying they have donated to local charities over the past year.**
- **64% saying they sponsored or donated goods/services to local events.**
- **56% saying they offered discounts to certain groups within the community, like teachers or veterans.**



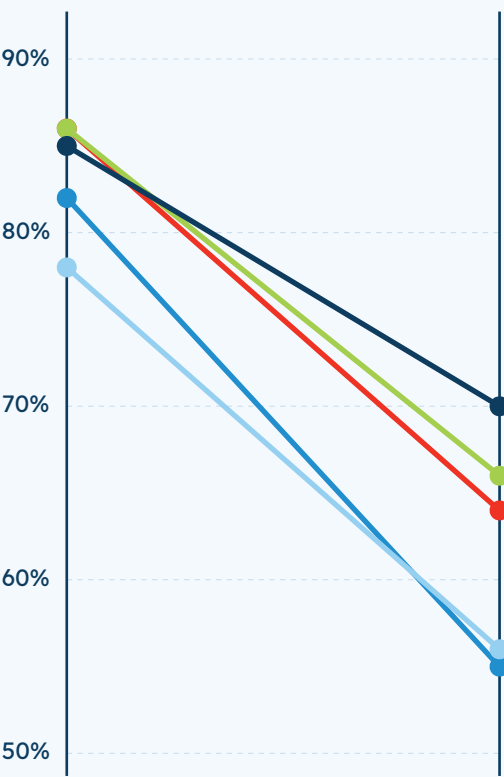
When asked about the importance of specific individual community engagement activities, most small businesses say each one is important. However, there is a gap between the proportion of small businesses that say each community engagement activity asked about is important and

When it comes to engaging with the community around your business...

- Encouraged employees to shop at other small businesses
- Donated to local charities
- Sponsored or donated goods/services to local events
- Offered discounts to certain groups from the community
- Formed partnerships with other local businesses

... how important are the following?

... have you done the following in the past year?



those that have done each in the past year. Actions that are seen as most important—like encouraging employees to shop small, donating to local charities, or sponsoring goods/services to local events—are also the actions that business owners most often report actually implementing over the past year.

Overall, the vast majority of small businesses believe that businesses should give back to their local communities (91%) and that their own business has a clearly defined mission that includes giving back to their local community (80%).

Small businesses run by Gen Zers or millennials are often more likely than those run by baby boomers to say they have taken action to engage with their community in the past year. For example, while about two in five small businesses run by Gen Zers

or millennials (43%) say they have offered company-wide day(s) of service, only about three in ten (32%) run by baby boomers say the same. Businesses run by Gen Zers or millennials are also more likely to strongly agree that small businesses should give back, in general.

The smallest small businesses (those with 0-4 employees) are less likely than those with more employees to say they have taken most of the actions asked about in the past year. Similarly, male-owned small businesses are less likely than female-owned small businesses to say they have donated to local charities (62% vs. 73%, respectively) or have sponsored or donated goods or services to local events (61% vs. 70%, respectively).

KEY FINDINGS

Small Business Operations, Environment and Expectations

Small Business Operations

Small businesses report consistent health, cash flow comfort

Nearly two-thirds (64%) of small business owners report that their business is in good health, unchanged from Q3 2022 (65%) and Q2 2022 (66%). Consistent with previous quarters, small businesses that employ more people are more comfortable with their health. Roughly three in five (58%) small businesses with fewer than five employees say they are in good health, compared to 70% of small businesses with 5–19 employees, and 82% of small businesses with 20–500 employees. Each of these measures is consistent with last quarter.

Just over two in three (67%) small business owners say they are comfortable with their cash flow. This is consistent with last quarter (66%), which saw the measure drop by seven percentage points compared to Q2 2022. Similar to attitudes around business health, small businesses that employ more people are more comfortable with their cash flow—



a pattern we have observed consistently over the past few years. Three in five small businesses with fewer than five employees (60%) are comfortable with their cash flow, while 75% of small businesses with 5–19 employees and 86% of small businesses with 20–500 employees are. Again, each of these measures remain at a similar level as last quarter.

Nearly two-thirds of small business owners (65%) say their business retained the same staff size over the past year, while nearly one in five (19%) indicate they increased staff. This has remained stable over the last year. Again, companies with more employees are more likely to say they have increased their staff size than those with fewer employees—a pattern observed for over a year.

Small Business Environment

Small businesses see stable national and local economies

A narrow portion of small business owners believe the U.S. economy (27%) and their local economy (30%) is in good health, both consistent with Q3 2022 readings (28% and 31%, respectively).

The share of small business owners that rate the national economy as good has remained stable over the past year, while the majority have felt the macroeconomic outlook is poor or average (at best). However, perceptions of the local economy declined between Q2 and Q3 2022 (from 37% to 31%), reaching the lowest point recorded since Q2 2021, and remain low today.

In addition to this consistency since last quarter, there is also consistency across regions. National and local economic perceptions are largely similar across regions. Small businesses in the services industry are more pessimistic about the U.S. economy and their local economy than those in retail and professional services.

A similar share of small business owners report spending more time on licensing, compliance, or other government requirements this quarter (35%) as the last two quarters (37% for both). Similarly, roughly the same share of small business owners report facing increased competition from smaller or local companies this quarter as last quarter (29% vs. 32%).

Small Business Expectations

Most small businesses expect revenue to increase next year

As with perceptions on business operations and the economy, small business owners' expectations for the future are very similar to last quarter—including a majority that expect climbing revenues next year.

Two in five small businesses say they intend to increase staff over the next year, while roughly three in five (63%) say they expect their revenue to increase. Each of these are essentially unchanged from last quarter. Nearly half (47%) say they expect to increase investment in the upcoming year, up slightly, but not significantly, compared to Q3 2022 (42%).

In some potential signs of burgeoning optimism for the year ahead, more small businesses in the services sector say they plan to increase staff than last quarter (37% vs. 25%).

“I think inflation is still creeping up. I see tightness in the labor market, wage pressure driven by competition, and clients who are paying more for goods and services they need to deliver to their clients.”

Saïd Eastman, CEO
JobsInTheUS.com, Westbrook, ME

Index Snapshots



Index score is unchanged.
The MetLife & U.S. Chamber of Commerce Small Business Index remained at 62.1 for a second quarter in a row. In Q3 it had fallen significantly, representing the largest quarterly drop since the Index plummeted at the start of the pandemic.



Inflation remains the top concern, by far.
Over half of small businesses (53%) say inflation is the top challenge facing the small business community, a dramatic 30-point increase since this time last year. This marks the fourth consecutive quarter that inflation tops the list of challenges.



Supply chain concerns fade.
Concerns over supply chain issues have slightly cooled, shifting six percentage points from last quarter (20% vs. 26%, respectively). However, 61% say they expect supply chain disruptions will make it difficult to manage the coming holiday season.



Vast majority see a crucial holiday season.
79% say the upcoming holiday season is important for their overall profit, a nine-percentage-point increase from this time last year.



Small businesses anticipate rising holiday prices in response to inflation.
69% report expecting to raise the prices of goods or services this holiday season due to inflation. Also, 61% report expecting less revenue than usual this holiday season because of inflation.



Over half of small businesses report making community donations.
Two-thirds of small businesses (66%) say they have donated to local charities over the past year. While over half say (56%) say they have offered discounts to certain groups within the community.



Other top ways for small businesses to give back include:
Encouraging employees to shop at other small businesses in the community (70%), and sponsoring or donating goods/services to local events (64%).



Small businesses see steady economic patterns.
64% report that their business is in good health, unchanged from Q3 2022 (65%) and Q2 2022 (66%). Roughly three in ten (27%) say the U.S. economy and their local economy (30%) are in good health, consistent with Q3 2022.

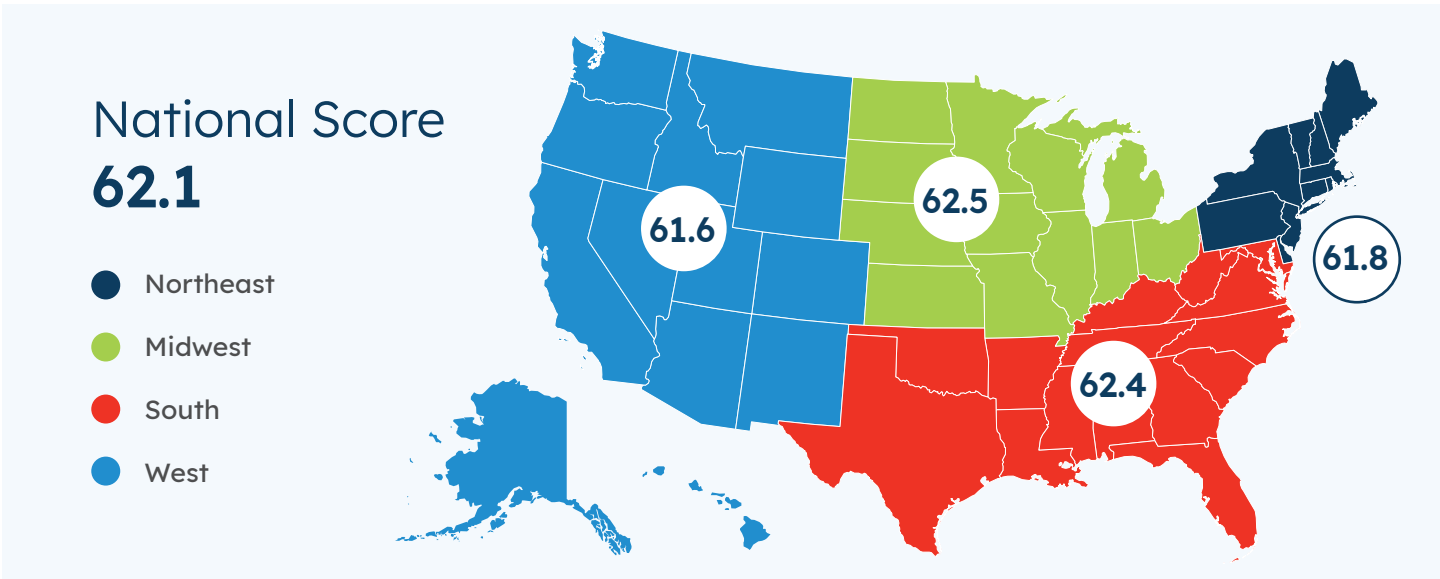


53%

of small businesses say inflation is the top challenge facing the small business community

Q4 Small Business Index Scores by Region

Regions report little change in outlook since last quarter



Northeast (61.8): Small businesses in the Northeast report similar perceptions of their economic environment as they did last quarter. Roughly three in ten (28%) believe their local economy is good, unchanged from last quarter (27%), and roughly two-thirds continue to report spending the same amount of time, or less, on regulatory compliance (63% this quarter and last).

Midwest (62.5): Midwestern small businesses report very similar perceptions of their operations, the business environment, and future expectations as they did in Q3. However, fewer Midwestern small businesses now rate their local economy as very or somewhat good compared to last quarter (23% vs. 33%). Also, fewer now say that the health of their business is somewhat or very poor compared to last quarter (7% vs. 20%)—with more feeling mostly average about their own health.

South (62.4): Perceptions among small business owners in the South largely remain similar to those in Q3. One-third consider their local economy good, on par with Q3 (33% vs. 36%). However, fewer Southern small businesses now report that their business is in very good health than last quarter (28% vs. 41%), with more saying it is in somewhat good or average health.

West (61.6): Small businesses in the West have very similar perceptions of the state of their business operations and future expectations as compared to last quarter. However, nearly half (49%) say they spend more time on completing licensing, compliance, or other government requirements than six months ago. This is the highest of any region and marks a 14-percentage-point increase from last quarter.

Small Business Index Methodology

These are the findings of an Ipsos poll conducted between October 11-October 27, 2022. For this survey, a sample of 750 small business owners and operators age 18+ from the continental U.S. Alaska and Hawaii was interviewed online in English.

The sample was randomly drawn from partner online panel sources that specialize in B2B sample and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to the study, in drawing sample. Small businesses are defined in this study as companies with 500 or fewer employees that are not sole proprietorships. This sample calibrates respondent characteristics to be representative of the U.S. small business population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2019 Statistics of U.S. Businesses dataset. The sample drawn for this study reflects fixed sample targets on firmographics. Post-hoc weights were made to the population characteristics on region, industry sector and size of business.

Statistical margins of error are not applicable to online non-probability polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 4.4 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (n=750, DEFF=1.5, adjusted Confidence Interval=+/-5.9 percentage points).

Starting with the March 2020 survey, small business decision makers are reached via an online survey, in place of the typical phone-based approach.

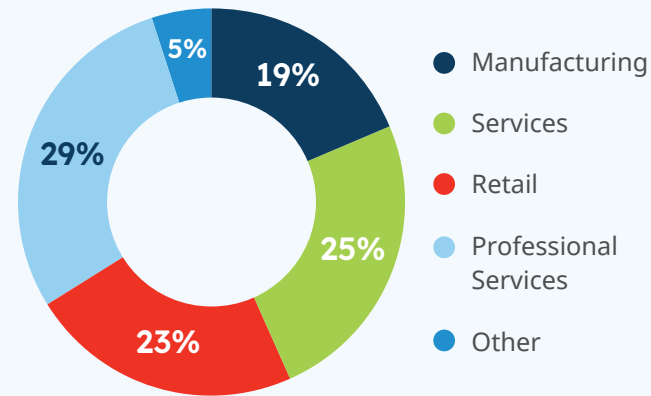
This methodological shift is in response to lower anticipated response rates in dialing owners at their businesses as a result of mandated closures related to the COVID-19 outbreak. While significant changes in data points can largely be attributed to the recent economic environment, switching from a phone to online approach may have also generated a mode effect.

Index Methodology

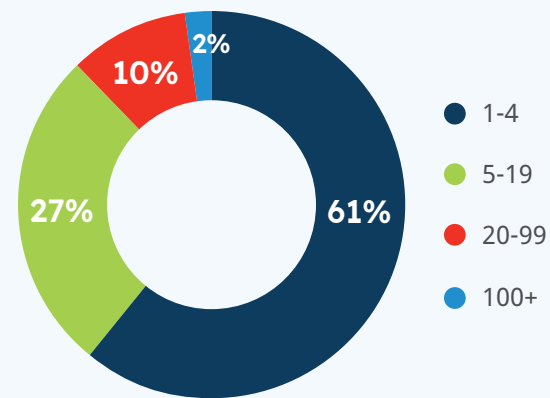
To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification (MRP) from the survey data.

Since each business may report the state of its health by different standards, Ipsos uses the core survey questions to construct a stable, consistent definition of small business status. Each business is then classified into one of three categories: poor, neutral, or good. Once each business is measured on a consistent scale, the survey results are fed into a multilevel regression model to generalize our results to a broader set of businesses enabling us to measure the health of businesses not just nationally but also at the level

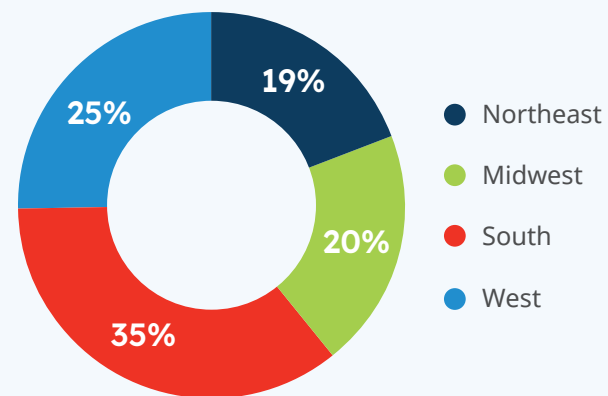
Breakdown by Sector



Breakdown by Employee Size



Breakdown by Region



of state, industry, and business size. The model uses employee size, industry type, and location as individual level predictors, as well as data from the BLS on job change by industry.

Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S. population of small businesses.

The process used is known as post-stratification, something which was not possible with the original sample due to sample-size limitations. The population estimates for employee size, industry, and location were obtained from the U.S. Census 2019 Statistics of U.S. Businesses dataset.

Small businesses are categorized into four industry sectors, using the NAICS sector definitions from the U.S. Census.

- **Retail:** Wholesale Trade; Retail Trade; or Accommodation and Food Services
- **Manufacturing:** Agriculture, Forestry, Fishing and Hunting; Mining, Quarrying, and Oil and Gas Extraction; Utilities; Construction; Manufacturing; or Transportation and Warehousing
- **Services:** Educational Services; Health Care and Social Assistance; Arts, Entertainment, and Recreation; or Other Services
- **Professional Services:** Information; Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services; Management of Companies and Enterprises; or Administrative and Support and Waste Management and Remediation Services

About Us



U.S. Chamber of Commerce

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.

For more information, visit www.uschamber.com.

Press Contact

Lindsay Cates

U.S. Chamber of Commerce
lcates@uschamber.com
202-897-8515



MetLife

MetLife

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates ("MetLife"), is one of the world's leading financial services companies, providing insurance, annuities, employee benefits, and asset management to help its individual and institutional customers navigate their changing world. Founded in 1868, MetLife has operations in more than 40 markets and holds leading market positions in the United States, Japan, Latin America, Asia, Europe, and the Middle East.

For more information, visit www.MetLife.com.

Press Contact

Judi Mahaney

MetLife
jmahaney@metlife.com
646-238-4655

For more information on this index, visit www.sbindex.us



U.S. Chamber of Commerce



MetLife