

## Inflation Concern Reaches New High for Small Business Owners

*Small Business Index score drops most since the start of the pandemic; 7 in 10 say worst is yet to come*

**September 21, 2022**

**Washington, D.C.** — The quarterly MetLife and U.S. Chamber of Commerce [Small Business Index](#), released today, found that concern for inflation among small business owners has reached a new high. The vast majority (90%) of small businesses say they are concerned about the impact of inflation on their business, with 54% saying they are *very concerned*, up from just 31% in Q1.

Half of small businesses (50%) say inflation is the biggest challenge facing small business right now, marking the fifth consecutive quarter of increasing worry over inflation. Seven in ten (71%) believe the worst is still to come with regards to inflation.

“In recent quarters there has been optimism from small businesses who still felt good about how their business is doing,” said Tom Sullivan, Vice President of Small Business Policy at the U.S. Chamber of Commerce. “However, inflation is really hitting small business hard, and that reality is negatively impacting their confidence, their ability to hire, invest in their businesses, and grow.”



Increased pessimism about the economy likely contributed to the largest drop in the Index score since the start of the pandemic to 62.1, down from 66.8 in Q2. In addition, small businesses say they are now less confident in both the national economy and their local economy—and in their current cash flow.

The survey found that 88% of small businesses are concerned about the U.S. entering an economic downturn in the next year, with 54% saying they are *very concerned*. The majority (59%) of small business owners believe the U.S. economy is either in “somewhat poor” or “very poor” health, up 10 percentage points from last quarter.

While two in three (66%) say they are comfortable with their current cash flow, this dropped from 73% last quarter, the first significant decline since April 2020. Also falling slightly this quarter is the percentage of small businesses who expect to increase staff (38%), and those predicting increased revenues in the next year (61%).

Small business owner Tom Richter has seen the impact of inflation at his commercial cleaning service company based in Midvale, Utah.

“Gas increases have required us to increase prices across the board to customers. Raw material increases have impacted chemicals and equipment used in our business,” says Richter, Principal Owner of JAN-PRO of Utah. “Our franchise owners have had to increase their wages of their employees doing the daily work.”

Among small business owners that say rising prices have had a significant impact on their business (83% of respondents), most cite the cost of goods and supplies (65%) and utilities or fuel (50%) as where they have seen the most impact.

“The growing negative sentiment and concerns among small business owners highlight the challenging economic environment they are currently navigating,” says Cynthia Smith, senior vice president, Regional Business at MetLife. “We’ve seen how resilient small businesses can be, even in the face of adverse business conditions, and this kind of fortitude will be required of small business owners as they face increasing economic uncertainty.”

#### **More Findings:**

- **When asked to choose** between reducing inflation or avoiding an economic downturn, 59% believe the priority right now should be reducing inflation and 41% prioritize avoiding an economic downturn.
- **To cope with inflation, 7 in 10 small businesses** report raising prices in response to inflationary pressures, followed by those who say they have taken out a loan (40%), reduced staff (37%), or reduced the quality of their products or services (31%).
- **42% say their local economy is in poor health**, outweighing the share who say it’s in good health (31%) for the first time since Q1 2021.
- **3 in 4 small businesses (76%)** say they have a plan to adapt to a changing economy. The majority (61%) think the economy changes more quickly these days than it did in the past.
- **40% say they are very concerned** about the impact of interest rates rising on their business (up 11 percentage points from Q1 2022).
- **A majority (51%) say they have altered their supply chains** to rely on local suppliers more over the last year, in a sign that small businesses may be shortening their supply chains.
- **Concerns over COVID-19 have faded**, down to 13%, from 23% this time last year, as economic issues rise in importance.

#### **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 752 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 Q3 2022 survey was conducted between July 21 and August 8, 2022. 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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