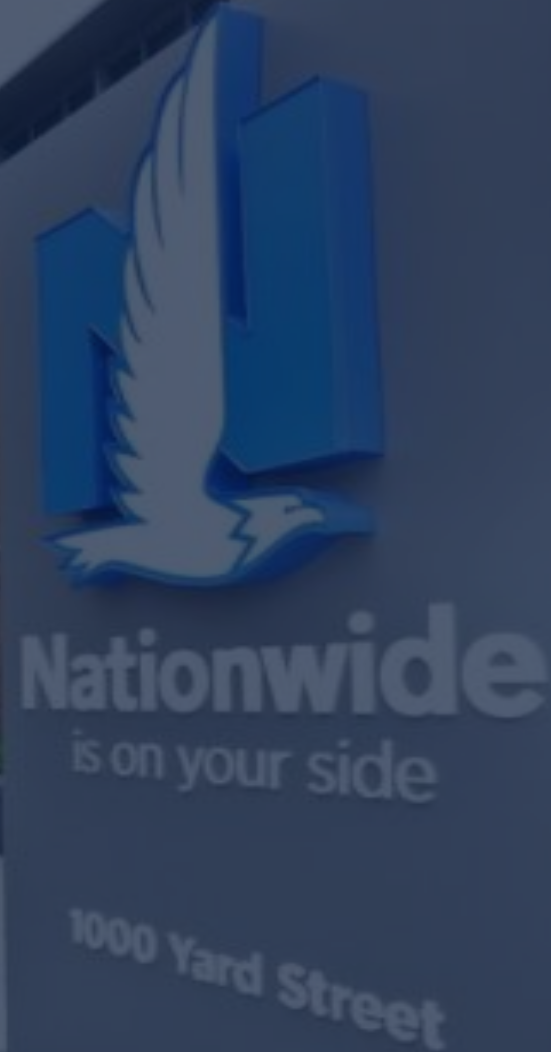




May 2023

Nationwide Economic Impact Survey Report: Business Owner Insights



SURVEY METHODOLOGY



Audiences

Small Business Owners

Business owner of a company with 1-50 employees and less than \$10M in annual revenue

Mid-Market Business Owners

Business owner of a company with either 51-500 employees or \$10M-\$500M in revenue

Many datapoints in this report are tracked versus business owner findings from the Fall 2022 Economic Pressures survey.



Sample Size

N=400

N=400



Methodology

**15-Minute
Online Survey**



Timing

**Survey Fielded
March 30th – April 28th,
2023**

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The economic and market forecasts reflect our opinion as of the date of this report and are subject to change without notice. These forecasts show a broad range of possible outcomes. Because they are subject to high levels of uncertainty, they will not reflect actual performance. We obtained certain information from sources deemed reliable, but we do not guarantee its accuracy, completeness or fairness.

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KEY FINDINGS

1

Business owners have negative views of the overall US economy, but sentiment is much more positive when it comes to business conditions for their own firms

Just 19% of small business owners and 39% of mid-market business owners rate business conditions in the US economy positively, down significantly since September 2022. However, majorities (55% and 74%, respectively) give positive ratings for their own businesses, suggesting the situation for most firms is not as dire as the perception at the national level.

2

Inflation and interest rates continue to pose significant challenges

72% of Small business owners and 75% of Mid-Market business owners say inflation has negatively impacted their business. 50% of small business owners and 62% of mid market owners also report being negatively impacted by rising interest rates. And looking ahead to the next six months, firms agree inflation and interest rates will continue posing major challenges for their operations.

3

Most expect a recession before the end of 2023

Two thirds of small and mid market business owners expect a recession in the next six months, essentially unchanged since September. Those who expect a recession are planning for the worst – more than 7 in 10 say the upcoming recession will be similar or even worse than the Great Recession of '07 – '09.

4

Firms are looking to cut costs amid economic upheaval

63% of small business owners and 49% of mid-market owners say they have looked for ways to reduce business expenses within the past six months. And this impulse is extending to insurance – virtually all business owners are reviewing their current policies, with about 3 in 10 contacting an agent to discuss their current coverage. Additionally, 18% of small business owners and 27% of mid-market owners have asked an agent to have their policy quoted with another carrier to find a better price within the past six months.

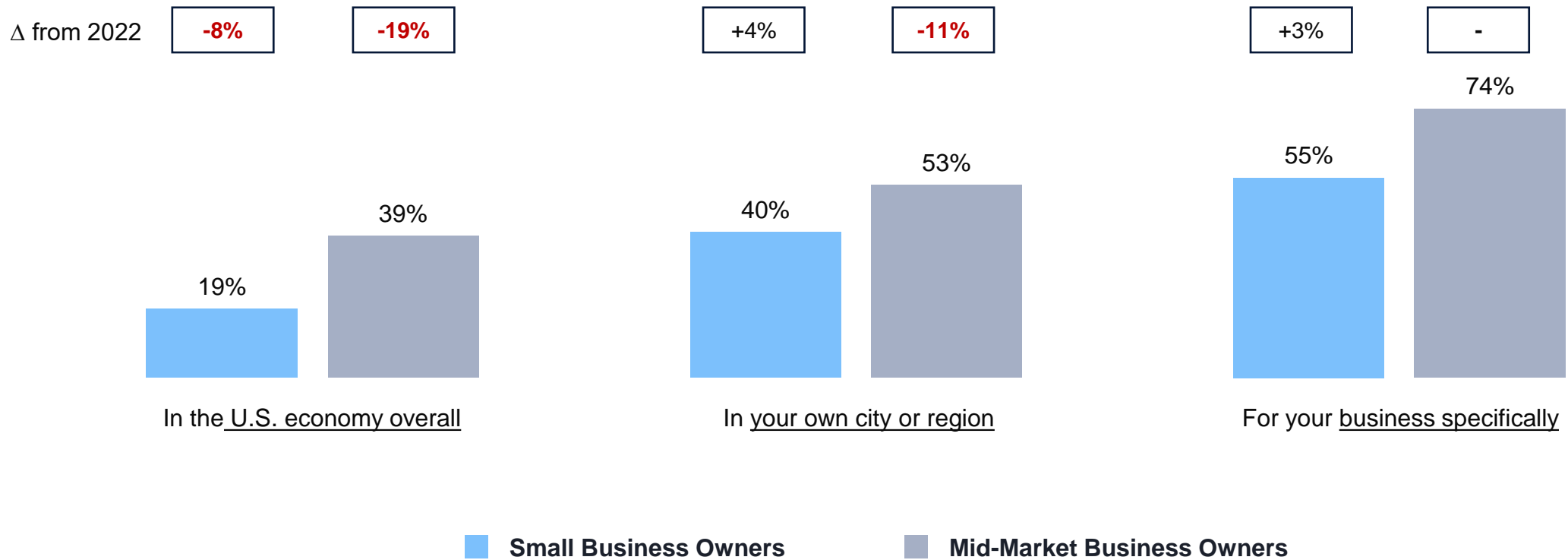


Economic Landscape

Business owners are pessimistic about economic conditions nationally, but perceptions remain more positive for their own firms

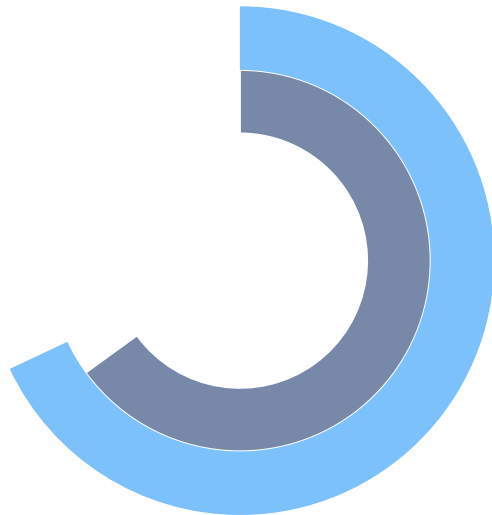
Positive Rating of Current Business Conditions

(Shown % Select Top 2 Box 'Good/Excellent' on a 4-point scale)



Two-thirds expect a recession before the end of 2023, though most say inflation still poses a bigger risk to their business

Recession Expected in Next 6 Months
(Shown % Select 'Yes')



68%

Small Business Owners

65%

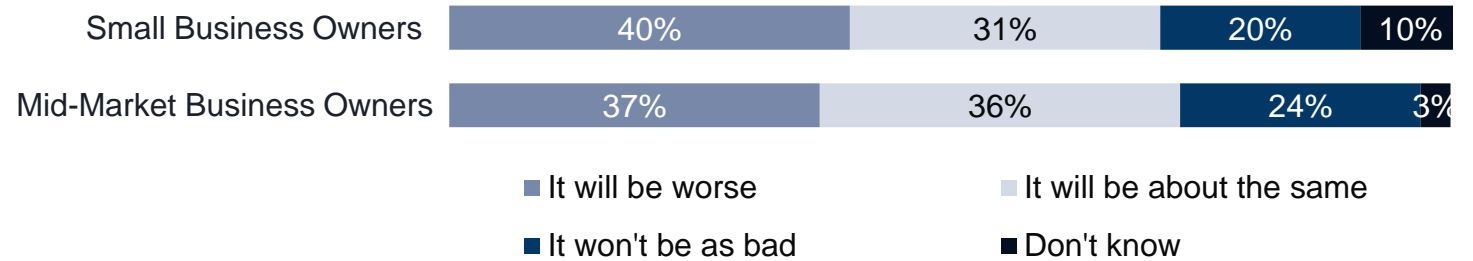
Mid-Market Business Owners

Δ from 2022

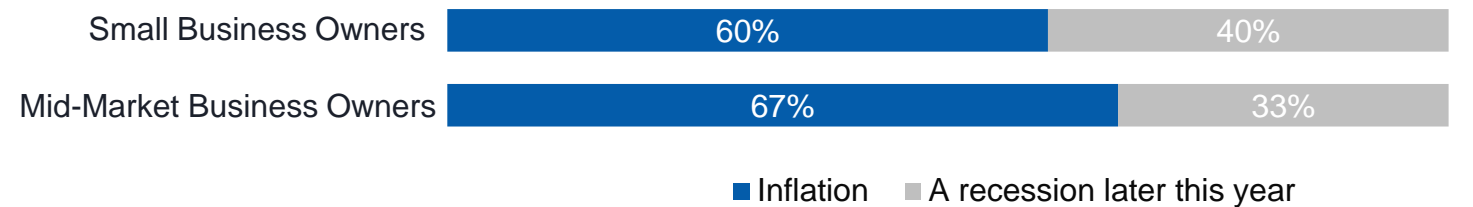
+2%

-1%

Comparison to the Great Recession of 2007-2009
(Shown % Select, of those expecting a recession)



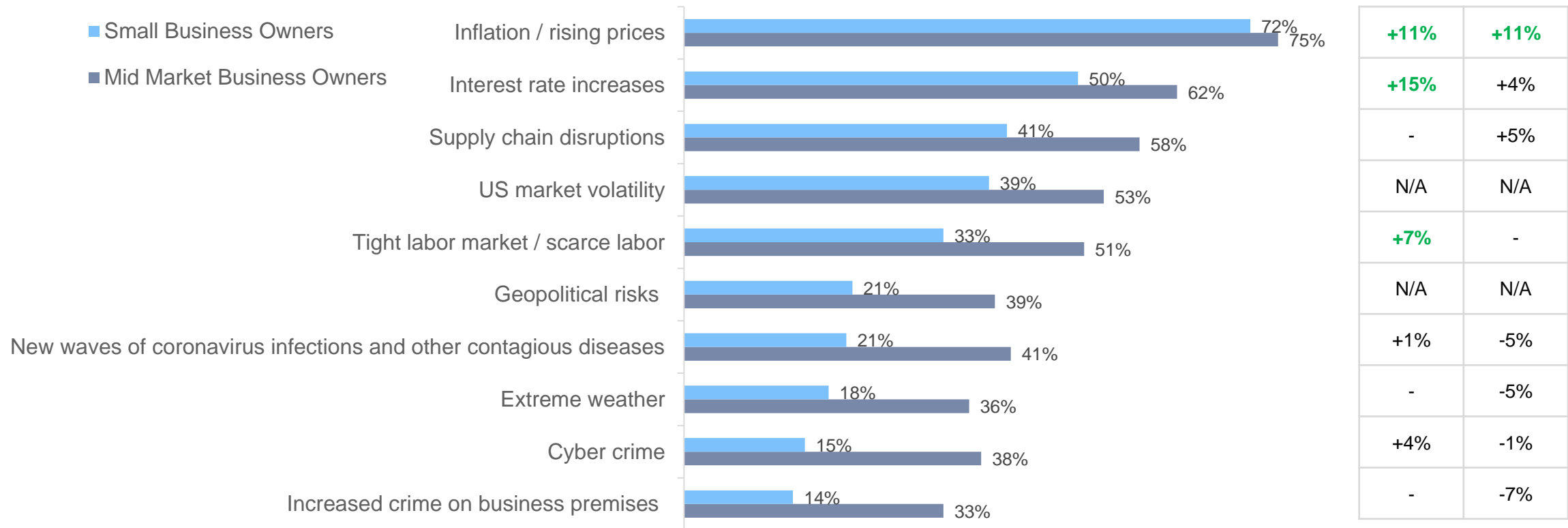
Bigger Risk to their Business
(Shown % Select)



Q26. Do you expect the US economy will be in recession within the next six months? Base: Total (Small Business Owners n=400, Mid-Market Business Owners n=400); Tracked Data from P&C Economic Pressure September 2022 Survey Q27. How do you expect the coming recession will compare to the Great Recession of 2007-2009? Base: Total who expect a recession within the next 6 months (Small Business Owners n=270, Mid-Market Business Owners n=259) Q28. In your opinion, what is a bigger risk to your business – inflation or the possibility of a recession later this year? Base: Total (Small Business Owners n=400, Mid-Market Business Owners n=400)

Inflation remains firms' top business obstacle, though rising interest rates have also posed significant challenges

Negative Business Impact in Past Six Months
 (Shown % Selected Top 2 Box 'Moderately/Extremely Impacted')



Q24. Thinking about the past six months, how much has your business been negatively impacted by each of the following conditions? Base: Total (Small Business Owners n=400, Mid-Market Business Owners n=400); Tracked Data from P&C Economic Pressure September 2022 Survey

Almost two-thirds of small business owners have looked for ways to reduce business expenses over the past six months

There are signs that economic pressures may be slightly easing, the shares of businesses reporting reductions in hours, worker furloughs, or using personal savings to support the business have all declined since September.

Business Actions Taken Within The Past 6 Months (Shown: % Selected)	Small Business Owners		Mid-Market Business Owners	
		Δ from 2022		Δ from 2022
Look for ways to reduce business expenses	63%	+5	49%	+9
Use personal savings to support the business	31%	-7	26%	-2
Meet with a financial advisor or financial planner	27%	N/A	43%	N/A
Pause hiring	26%	-	27%	-6
Hire new workers	21%	+8	42%	+18
Cancel or postpone a major business investment	17%	-5	24%	-4
Ask more out of current workers to manage payroll expenses	13%	-1	22%	-6
Apply for a business loan	12%	-	29%	+2
Conduct a risk management audit	11%	N/A	32%	N/A
Reduce the business's hours	10%	-7	14%	-11
Apply for a personal loan to help support the business	9%	-4	20%	-4
Furlough workers or reduce workers' hours	8%	-6	14%	-11
Add retirement plan offerings	7%	N/A	24%	N/A
Relocate/downsize office space	6%	-2	15%	-5
Lay off workers	6%	-4	18%	-5
Connect with new risk management partners	6%	N/A	27%	N/A

Looking ahead to the next 6 months, business owners expect inflation and rising interest rates will continue posing major challenges

Small business owners are more likely to be concerned about inflation, economic uncertainty and customer attraction, while mid-market business owners are more likely to feel factors like supply chain disruptions and financial market volatility will be their largest business hurdles for the remainder of 2023.

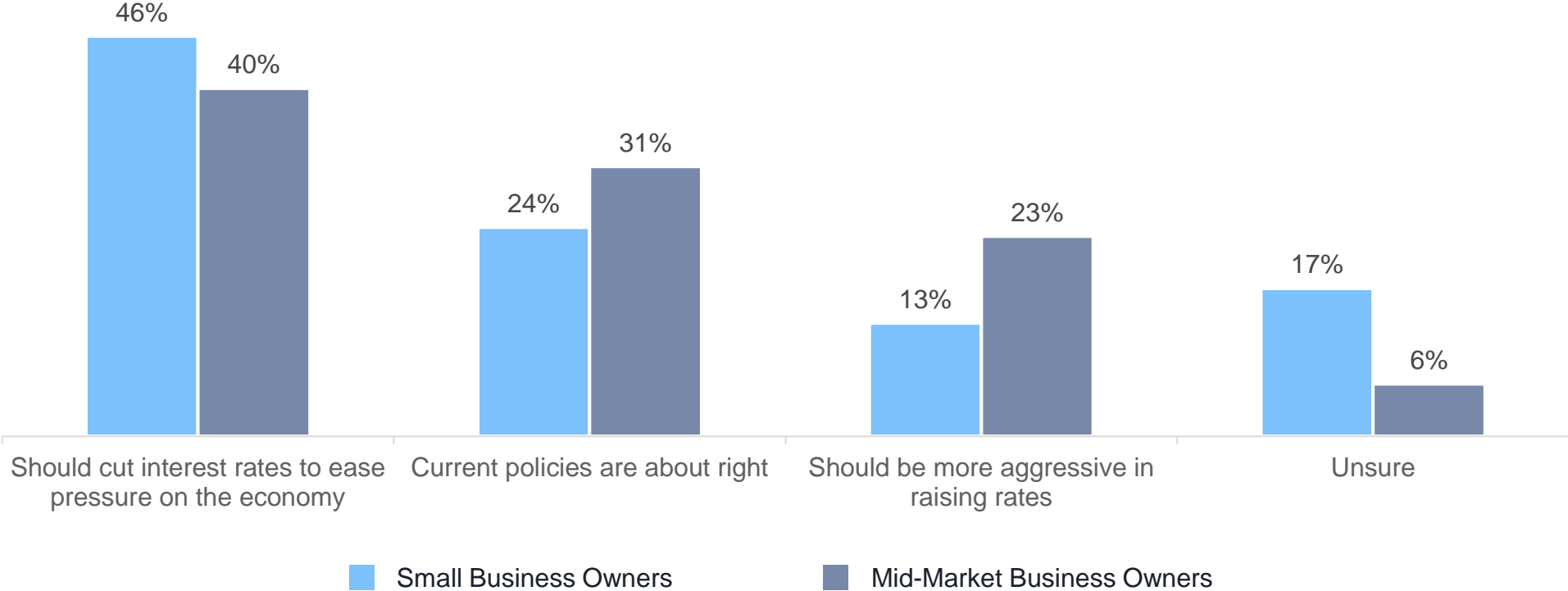
Biggest Business Challenges Expected: Next Six Months

(Shown % Selected)

	Small Business Owners		Mid-Market Business Owners	
		Δ from 2022		Δ from 2022
Inflation and rising prices	64%	+6	50%	+4
Rising interest rates	30%	+11	31%	-1
Uncertain economic environment	29%	-3	19%	+2
Reaching new customers	23%	-4	17%	-1
Supply chain disruptions	21%	-8	31%	+5
Taxes and government regulations	17%	+3	18%	+4
Declining consumer demand	16%	-	14%	+2
Cash flow / managing revenue	15%	-1	13%	-6
Uncertain political environment	14%	-	10%	-2
Ability to attract and retain good employees	12%	+1	17%	+1
Financial market volatility	9%	-	16%	-5
Access to capital	8%	+1	9%	-2
New waves of coronavirus infections or other contagious diseases	6%	-7	9%	-2
Geopolitical tensions	5%	n/a	9%	n/a
Commercial insurance coverage	4%	n/a	7%	n/a
Risk management	4%	n/a	12%	n/a

A plurality of business owners want the Fed to begin cutting interest rates to ease pressure on the economy

Perceptions of Federal Reserve Interest Rate Policy
(Shown % Select)



Q30. In your opinion, how should the Federal Reserve respond to inflation? Base: Total (Small Business Owners n=400, Mid-Market Business Owners n=400)

Business owners are reviewing their current insurance policies in light of current economic conditions

18% of small businesses and 27% of mid-market businesses have asked their agent to requote an existing policy with a different carrier to find a better price.

Have reviewed current insurance policies or plan to in the next six months

- **88%** of Small business owners (+4% since 2022)
- **96%** of mid-market business owners (same as 2022)

Actions Taken Regarding Business' Insurance Policies Within The Past 6 Months <i>(Shown: % Selected)</i>	Small Business Owners		Mid-Market Business Owners	
		Δ from 2022		Δ from 2022
Checked my insurance policies online	39%	-6	47%	-2
Contacted my insurance agent to discuss my coverage	28%	-1	34%	+4
Asked my insurance agent to have my policy requoted by different carriers to find a better price or coverage	18%	+8	27%	+10
Talked with my agent about the impact of inflation or supply chain disruptions on my insurance rates	15%	+5	30%	+11
Increased coverage/limits on my existing insurance policies	13%	+3	30%	-2
Added another type of policy to my coverage	9%	+4	25%	-
Decreased coverage/limits on my existing insurance policies	8%	-3	13%	-6
Removed a policy from my coverage	5%	-1	13%	-3
Switched to a new insurance agent	2%	n/a	9%	-7
None of the above	30%	+4	8%	+1

Beyond insurance, firms report investing in contingency planning and cybersecurity monitoring to reduce business risk

Mid-market business owners are more likely than small business owners to be taking any of the following actions – especially when it comes to cybersecurity training for employees and performing a risk management audit.

Steps Taken to Reduce Business Risk

(Shown % Selected 'Yes')



Mid-market business owners are more engaged with insurance agents than small business owners

Small business owner interest in discussing the effects of rising interest rates and market volatility with an agent has increased significantly since the Fall.

Currently work with an insurance agent

- **62%** of Small Business Owners (+9% since 2022)
- **81%** of Mid-Market Business Owners (+11% since 2022)

Likelihood to Talk to Business's Insurance Agent About the Impact of the Following Topics <i>(Shown: % Selected Top 2 Box "Very/Moderately Likely")</i>	Small Business Owners		Mid-Market Business Owners	
		Δ from 2022		Δ from 2022
Inflation	55%	+9	80%	+4
Rising interest rates	49%	+8	76%	-1
Financial market volatility	39%	+8	70%	-3
US market volatility	38%	n/a	67%	n/a
Supply chain disruptions	34%	-	67%	-7

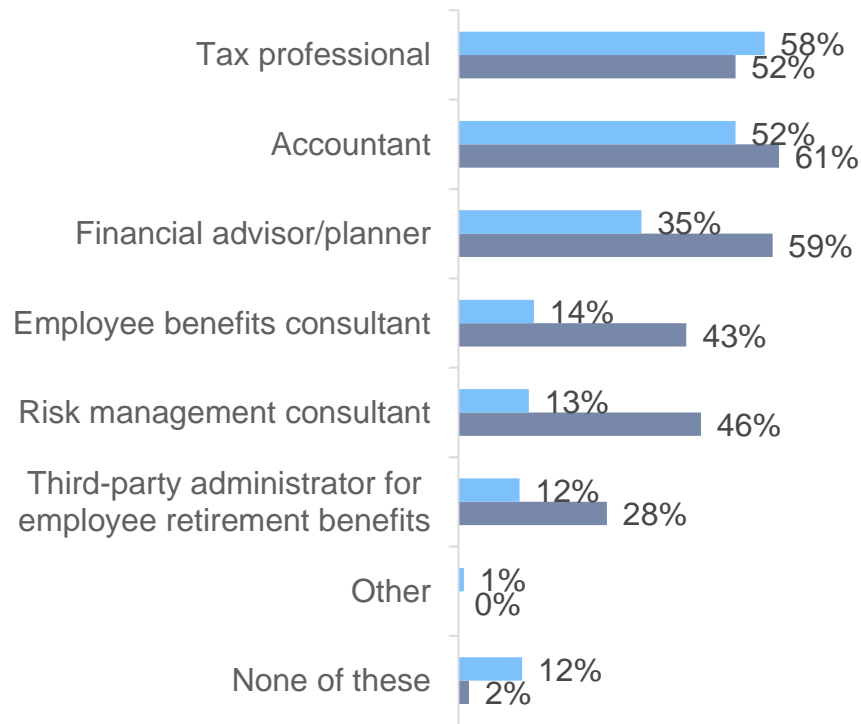
Q36. Do you currently work with an insurance agent to manage your business's insurance needs? Base: Total (Small Business Owners n=400, Mid-Market Business Owners n=400) Q38. How likely would you be to talk with your business's insurance agent about the impact of the following topics on your business's operations and insurance policies? Base: Total who currently work with an insurance agent (Small Business Owners n=249, Mid-Market Business Owners n=323); Tracked Data from P&C Economic Pressure September 2022 Survey

While most firms work with tax professionals and accountants, small business owners are less likely to leverage financial advisors/planners

Of those who do not work with a financial advisor, most are hesitant because they feel they can handle their business's finances on their own, or because financial advisors/planners are too costly.

Professional Financial Resources Used By Business

(Shown % Selected)



■ Small Business Owners ■ Mid Market Business Owners

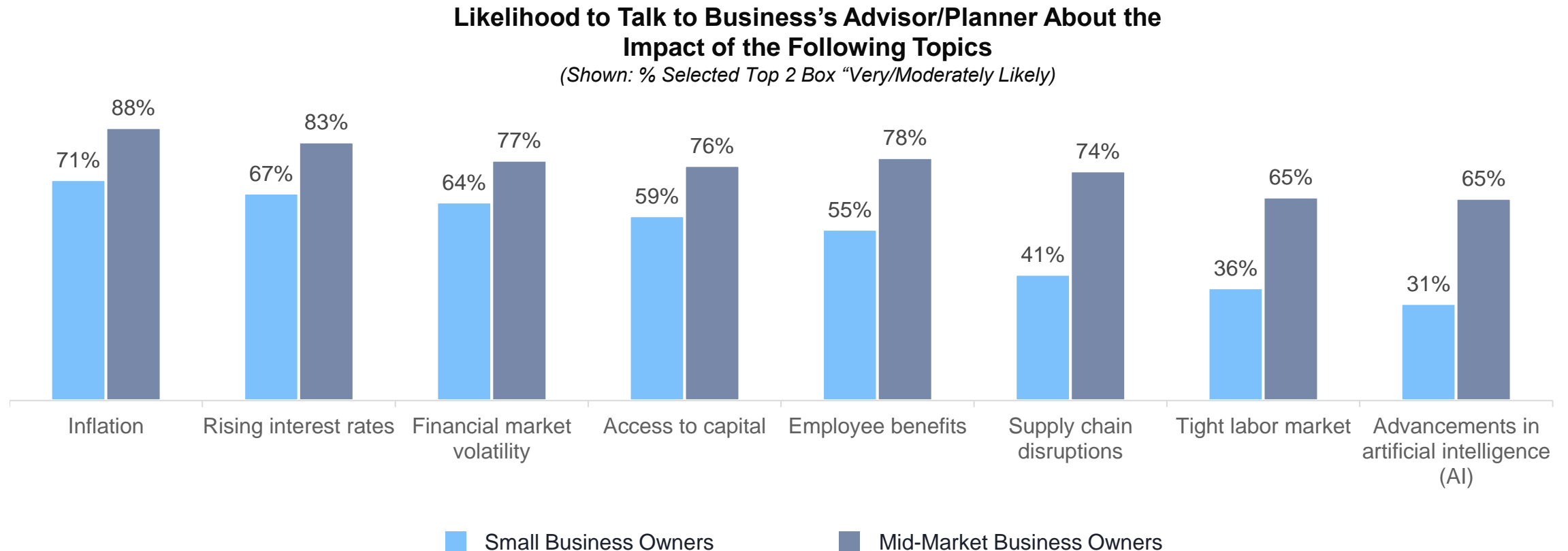
Why do you not use a financial advisor or planner?

(Shown: % Select among those who do not work with an advisor)

	SBOs	MMBOs
I don't need advice – I can handle my business' finances myself	51%	28%
It costs too much	32%	38%
I'm too busy / haven't gotten around to it	15%	25%
I don't know who to go to	12%	19%
I don't trust the financial services industry	11%	9%
Other	4%	2%

Business owners are most likely to talk with their financial advisor about the impact of inflation and rising interest rates

Mid-market business owners are more likely than small business owners overall to talk with an advisor.



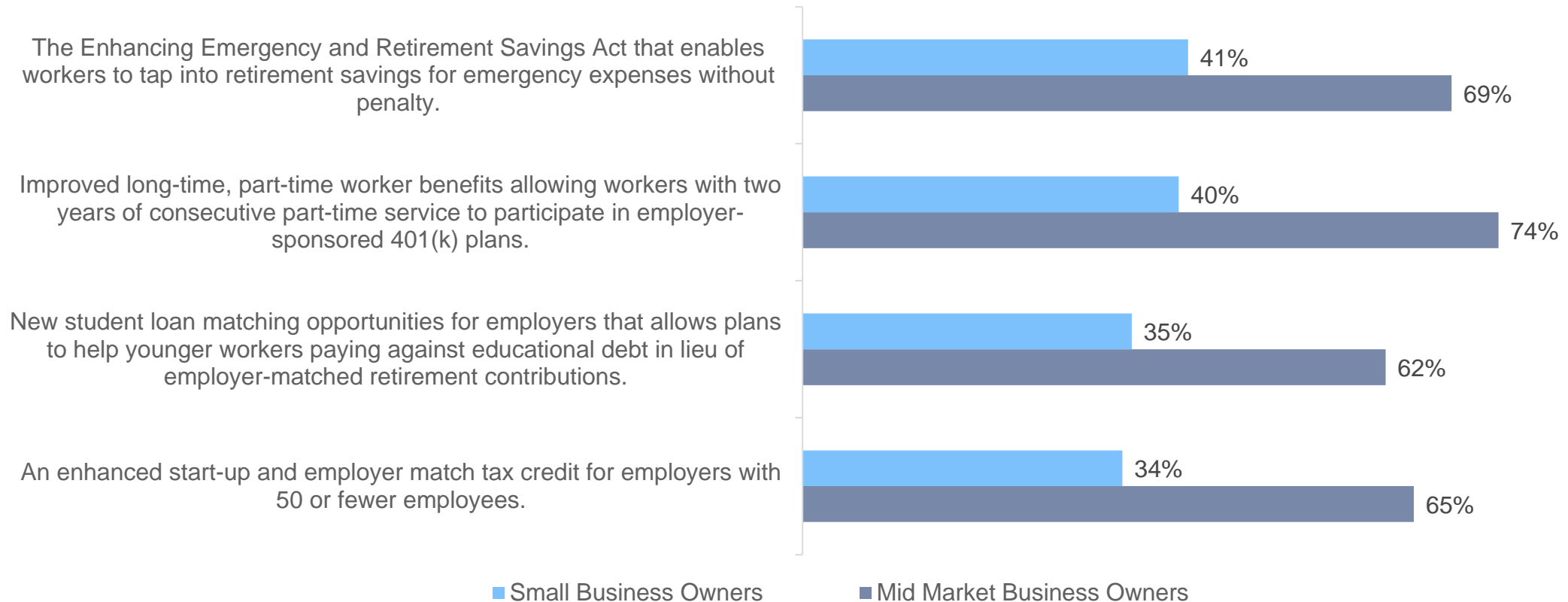


Additional Data: Current Events & Legislation

Awareness of SECURE Act 2.0 provisions is higher among mid-market business owners

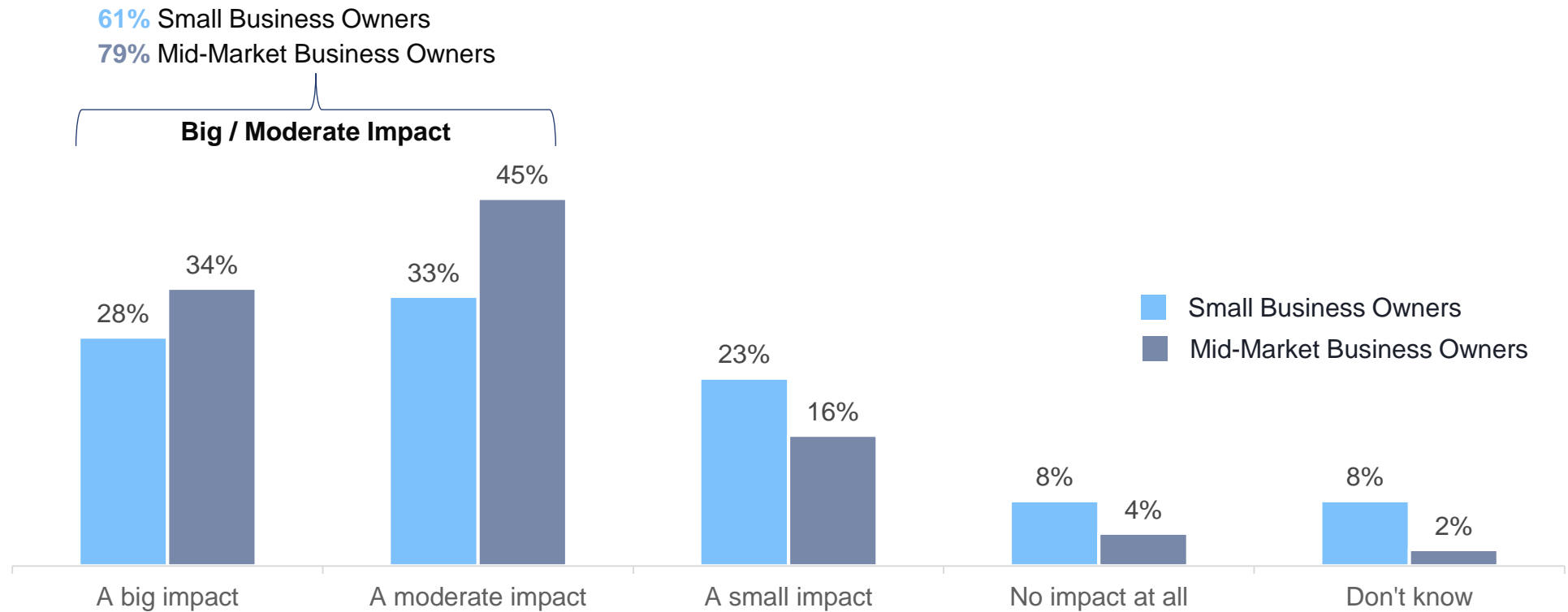
Awareness of SECURE Act 2.0 benefits and provisions

(Shown % Selected 'Yes, I am aware of this')



Business owners expect a possible June debt default to have a significant impact on their firms' finances

Expected Impact of a US Debt Default on Personal Finances
(Shown % Select)

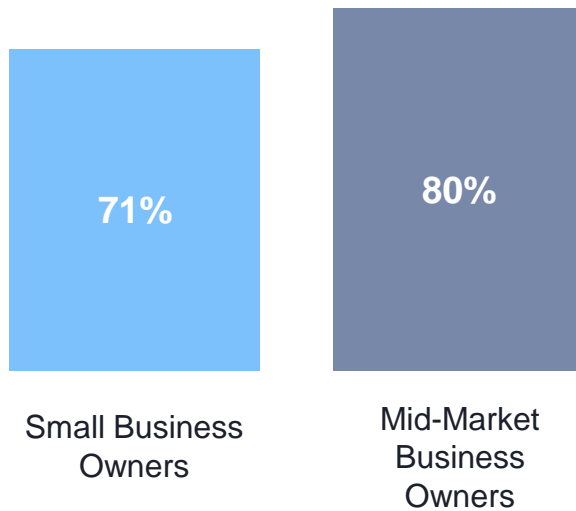


Firms are highly concerned about the health of American banking institutions post SVB collapse

Almost 3 in 10 business owners have reevaluated where their business banks.

Concern About the Health Of American Banking Institutions, Considering Recent Bank Failures

(Shown % Select, Top 2 Box 'Very/Somewhat Concerned')



Actions Taken Since the Collapse of Silicon Valley Bank

(Shown: % Selected)

	Small Business Owners	Mid-Market Business Owners
I reevaluated where my business banks, but didn't take any action	27%	27%
I reevaluated my company's budget, and made adjustments	16%	31%
I reevaluated my company's budget, but didn't take any action	11%	22%
I withdrew funds for my business from financial institutions that I don't trust	10%	19%
I started working with a risk management partner for the first time	5%	22%
I started working with a new risk management partner (already had one)	4%	22%
I did not take any action	48%	19%