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Quarterly Index Indicates Rise in Confidence Among Small Businesses

Minority-owned businesses are optimistic about future

WASHINGTON, DC - Data from the Q1 2020 **MetLife & U.S. Chamber of Commerce [Small Business Index](#)** (Index) conducted December 19, 2019-January 31, 2020 indicates a slight rise in confidence in small businesses' views about their businesses and financial future. Data indicates that small business owners are in a position of strength to deal with the possibility of continued economic fluctuations due to the global spread of COVID-19.

The Index rose to 71.7 this quarter, up 0.4 points from 71.3 last quarter. This is the highest score since the survey began in 2017 and marks the third consecutive quarter that the Index has set a new record.

However, the number of small businesses who report good local economic health declined significantly (from 59 percent in Q4 2019 to 52 percent in Q1). Small business optimism also went down for three indicators: overall business health, comfort with cash flow, and staff increases. In contrast, the outlook on the national economy improved somewhat, resulting in a slightly higher index score.

Small businesses in the South are most likely to see a good national (61 percent) and local (60 percent) economy. While Northeast small businesses are more pessimistic about both: only 45 percent say their local economy is good and 58 percent say the national economy is good. Western and Midwestern small businesses see the national economy in good health (both at 60 percent), but local economies less so (51 percent for the West, 47 percent for the Midwest).

Minority-Owned Small Businesses See Key Differences

The quarter's survey focused on minority-owned small businesses and asked them about their attitudes and insights. Minority-owned businesses reported facing similar challenges to their peers, but also noted some key differences. Minority-owned small firms are more likely (49 percent) to rely on personal savings than all small businesses (43 percent) to fund and grow their small businesses. Additionally, minority-owned businesses are seven percentage points more likely to report an increase in competition when compared to non-minority-owned businesses (20 percent versus 13 percent).

"This quarter's findings indicated that small businesses remain confident, though cautious, about their business and financial futures," said Jessica Moser, senior vice president, Small & Specialty Business, MetLife. "As we did a deeper dive into ethnically and racially diverse businesses this quarter, we see that their confidence is even stronger as more minority-owned businesses plan to increase staff and investments. In addition, they are more optimistic about future revenue than non-minority-owned businesses."

Minority-owned and non-minority-owned businesses did tend to agree on some key points. Nearly two-thirds (65 percent) of all small businesses said that hiring ethnically- and racially- diverse candidates is beneficial to

business (74 percent of minority-owned businesses said the same). A majority of all small businesses (64 percent) believe more firms should focus on hiring minorities and 62 percent of all small businesses say diversity/inclusion programs should be more prevalent. In comparison, 74 percent of minority-owned small businesses believe more firms should focus on hiring minorities and (75 percent) say diversity/inclusion programs should be more prevalent.

“Businesses need to be intentional about advancing diversity and inclusion within their organizations, making sure their businesses are reflective of their customers. We know that diverse companies perform better and that the United States economy performs better when people of all backgrounds and ethnicities are able to positively contribute,” said Rick Wade, Vice President of Strategic Alliances and Outreach, U.S. Chamber of Commerce. “Minority-owned enterprises help fuel growth within their communities and the U.S. Chamber is working to strengthen them by addressing issues such as entrepreneurship development, access to capital, connectivity to corporate supply chains, and linkages to the global marketplace.”

Hiring and Investment Plans Remain Stable

Small business expectations for investment and hiring are statistically unchanged from 2019. In Q1 2020, 30 percent of small businesses said they plan to increase their staff in the next year (up slightly from 28 percent in Q4 2019).

The most notable uptick in investment plans this quarter is from small manufacturers. Their outlook has rebounded 11 percentage points, with 30 percent planning to increase investment, versus 19 percent in Q4 2019.

Younger and minority owned businesses have more ambitious hiring plans. Millennial and Gen X-owned small businesses are 12 percent more likely than Baby Boomers and older generations to have plans to increase staff in the upcoming year.

Minority-owned businesses report more optimism about future conditions this quarter. Minority-owned businesses more often have plans to increase staff (38 percent versus 27 percent), plans to increase investment (39 percent versus 26 percent), and are more optimistic about future revenue (64 percent versus 58 percent) than non-minority-owned firms. Across all small businesses, expectations for investment increases are up three percentage points from Q4 2019 (26 percent to 29 percent) in Q1 2020.

“We have never been better prepared for growth. We are staffing up,” said Padma Vatsavai, Founder and CEO of Vinformatix in Baton Rouge, LA “Vinformatix is expanding into the Federal contracts space this year and has made several strategic hires to better position our company for success in this large, competitive market.”

About the Small Business Index

The MetLife & 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 initiative produces the quarterly Index, which is a survey of 1,000 small businesses to take the temperature of the sector, see where small business owners are confident, and where they are experiencing challenges.

About the U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world’s largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. For more information, visit www.uschamber.com.

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Please visit www.sbindex.us for the full results and methodology.

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