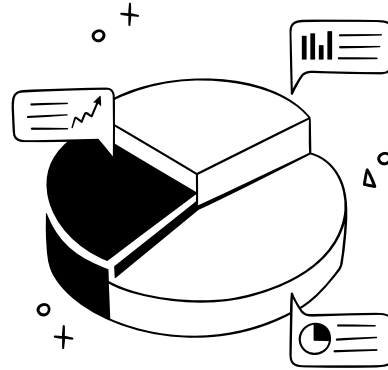




QUARTERLY STATE OF SMALL BUSINESS REPORT | JUNE 2022

Interest Rate Hikes and SMB Worries





About the Survey

The intent of this survey is to research and analyze small business sentiment surrounding inflation, recession fears, and how small business owners are pivoting. Veem surveyed 468 small business owners in the US and Canada to gather the following data. We asked small business owners questions that ranged a number of topics, including experience with inflation pressure, interest rate hikes, recession concerns, and offsetting strategies. The survey was conducted during the week of May 31 through June 8, 2022.

The margin of error for this survey was measured at $\pm 4\%$.



Veem Perspective

When I wrote my letter for our last report, I said that I kept hearing about inflation dominating the headlines. Here we are three months later and inflation is still a troubling matter for small business owners. Just when we thought we cleared the pandemic hurdle, inflation is now the next obstacle SMBs are facing.

Not only is inflation impacting the way business owners are thinking about their next move both internally or externally, interest rates are now another factor hitting businesses hard. At the time of publishing this report, the Federal Reserve will have announced a 0.75 increase in interest rates - which would be the biggest increase in 28 years.

In our second Veem “State of Small Business” report of 2022, we cover recession fears, inflation, and interest rate hikes and the impact on small business owners in the U.S. and Canada. While asking participants questions such as the industries they work in and the number of employees they have, we’ll dive into their overall sentiment on inflation and interest rates.

We have a long way to go before inflation and interest rates come back down to Earth, and in the meantime, many small business owners are also anticipating a recession this year. Small businesses are definitely concerned about how these conditions will continue to impact their operations. Despite these issues, we can see business owners wearing their David vs. Goliath hats, knowing that they will come out on top in the end.

Marwan Forzley

Marwan Forzley
CEO OF VEEM



Contents

Small Business Economic Forecast

- Recession concerns **Page 4-7**
- Macroeconomic fears hit Main Street **Page 8-11**

About the Small Businesses

- Demographic information **Page 12-15**

- About Veem** **Page 16**

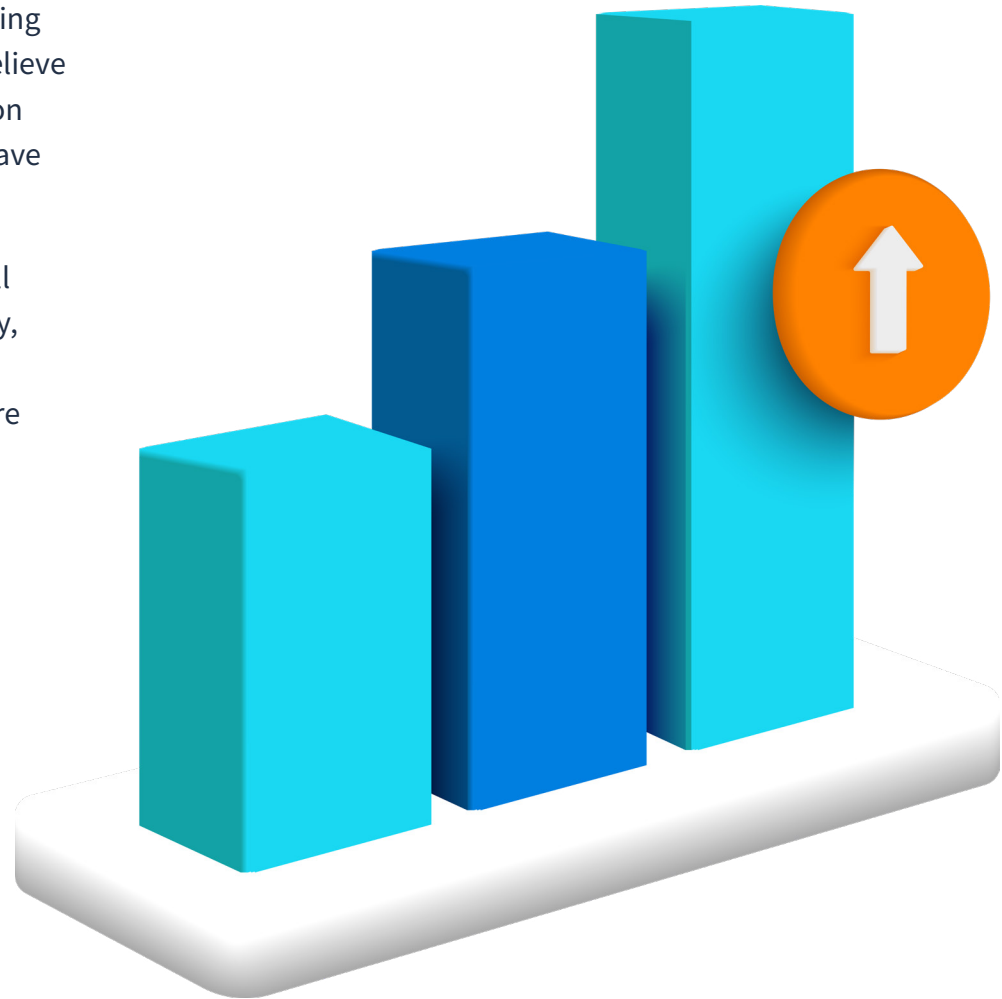


Small Business Economic Forecast

This report looks at small business owners' perspectives on the current state of inflation and interest rates as well as their future outlook for the rest of the year and beyond.

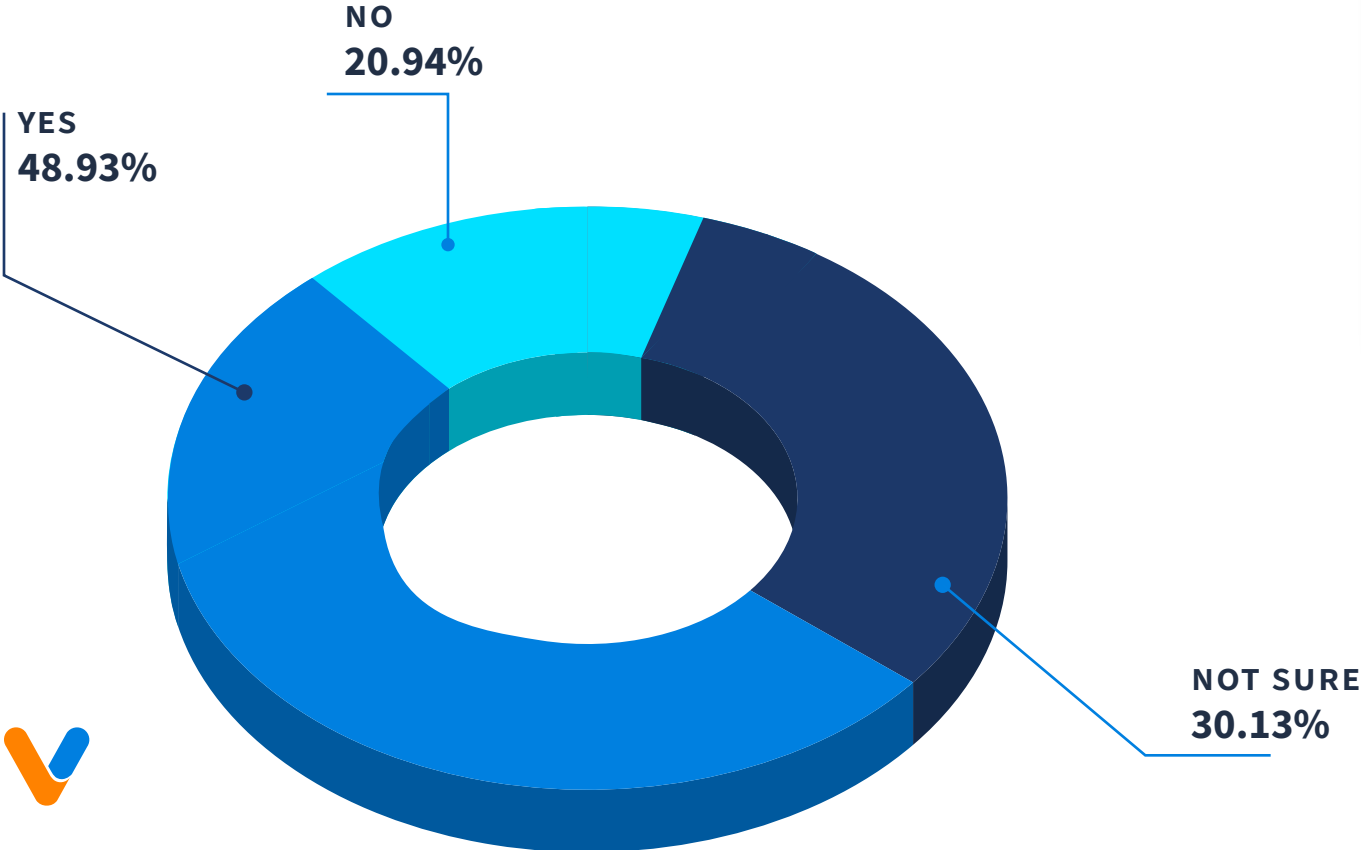
Most of the small business owners surveyed have been prepared for this moment. Whether it's paying down credit cards or increasing savings, business owners know that there are going to be plenty of challenges in the coming months. Others believe that not only is it hard to hire new employees due to inflation and rising interest rates, but these macro factors will also have an impact with planning for their business in the long term.

We need to keep small businesses afloat. They have and will always be a strong force for communities across the country, but we know that they are the first casualties when issues like inflation or interest rate hikes arise. Small businesses are prepared for battle and will do anything and everything, to remain vital in their towns.



Are you anticipating a recession this year?

Uncertainties surrounding inflation, interest rate hikes, and geopolitical conflicts have many small business owners and consumers anticipating a recession in the coming year. When asked, 49% of small businesses said they are anticipating a recession before the end of 2022.



49% of small business owners are anticipating a recession this year.



If yes, how are you preparing for a recession?

Small businesses are the backbone of the economy and are extremely vulnerable to an economic recession. Small businesses are preparing for a recession in a multitude of ways, including reducing their workforce (7.2%), scaling back expansion plans (16.7%), downsizing retail or office space (5.4%), and cutting services (4.5%). When we asked the small business owners how they would prepare for a recession, about 50% said they would either pay down credit cards and other variable-rate debt (25.8%) or increase their savings (23.5%).

PAYING DOWN CREDIT CARDS AND OTHER VARIABLE-RATE DEBT



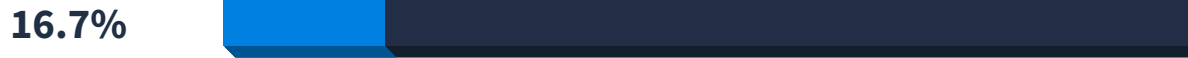
INCREASING MY SAVINGS



SCALING BACK EXPANSION PLANS



OTHER



REDUCING WORKFORCE



DOWNSIZE RETAIL/OFFICE SPACE



CUTTING SERVICES MY BUSINESS PROVIDES



Nearly one-half (**50%**) of small businesses surveyed would either pay down credit cards and other variable-rate debt or increase their savings when preparing for a recession.

What is your opinion of the labor market right now?

The effects of the Covid-19 pandemic are still being felt, with business owners still concerned about the labor market. An astonishing 51% of small business owners say it's hard to find employees right now, one of the most valuable resources for a small business owner.

IT IS HARD TO FIND WORKERS



MY BUSINESS CAN'T AFFORD TO HIRE MORE WORKERS



I FEEL WORKERS ARE DEMANDING UNREASON WAGES, BENEFITS



I FEEL WORKERS THAT I HIRE AREN'T CAPABLE OF ACCOMPLISHING THE JOB REQUIREMENTS



OTHER



51% of small business owners say they're having a difficult time finding workers.



Do you agree with the following statement, “Inflation and rising interest rates have made it hard to plan for my business long term.”

Small businesses are impacted differently by inflation and rising interest rates than larger enterprises or consumers. We asked small businesses if the current state of inflation and interest rates will impact their long-term business plans, with 70% of small business owners agreeing these issues would have an impact.

I STRONGLY AGREE WITH THAT STATEMENT

20.6%



I SOMEWHAT AGREE WITH THAT STATEMENT

49.3%



I DISAGREE WITH THAT STATEMENT

19.7%



NOT SURE

10.4%



70% of SMBs say inflation and rising interest rates have made future business planning harder.

Do you agree with the following statement, “I am worried about the financial health of my business due to inflation and rising interest rates.”

Inflation and rising interest rates can impact the financial health (liquidity, solvency, profitability, and operating efficiency) of small businesses. We asked small business owners if they are worried inflation and rising interest rates will impact their financial health. The majority of respondents - 63% - are worried about the financial health of their businesses due to these wider macroeconomic concerns.

I STRONGLY AGREE WITH THAT STATEMENT

16.8%



I SOMEWHAT AGREE WITH THAT STATEMENT

46.5%



I DISAGREE WITH THAT STATEMENT

27.9%



NOT SURE

8.9%

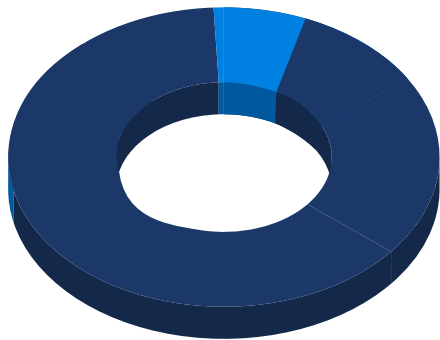


63% of small businesses
said they are worried
about the financial
health of their businesses
due to inflation and
rising interest rates.

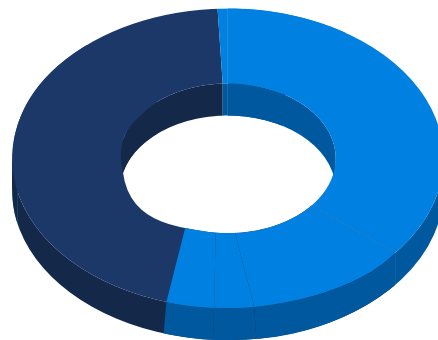


Do you think the inflation will be resolved by the end of this year?

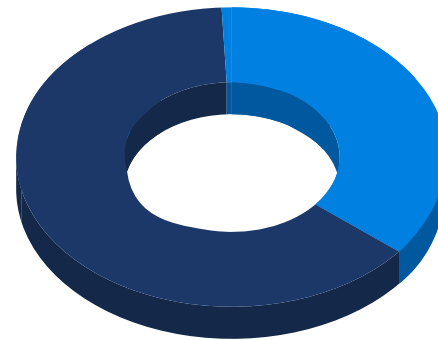
Small businesses are continuing to face the worst inflation seen in decades, with policymakers uncertain of when prices will level out. When we asked small business owners their thoughts on resolving inflation by the end of the year, 60% said they do not think prices will go down this year.



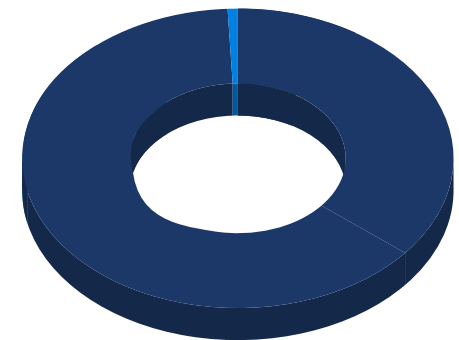
YES
8.4%



NO
59.7%



UNSURE
29%



THIS DOES NOT APPLY TO ME
2.9%



60% of small business owners do not think inflation will be resolved by the end of 2022.



How concerned are you about rising interest rates for your small business?

Interest rate hikes could fuel more costly borrowing, greater credit card costs, and changes to consumer spending habits, which all have an impact on small to midsize businesses. Most importantly, high interest rates make it difficult for small businesses to obtain loans and make outstanding loans more expensive. The majority of respondents - 77% - are worried about the impact of rising interest rates.

I AM VERY CONCERNED ABOUT RISING INTEREST RATES

34.3%



I AM SOMEWHAT CONCERNED ABOUT RISING INTEREST RATES

42.6%



I AM NOT CONCERNED ABOUT RISING INTEREST RATES

20.6%



NOT SURE

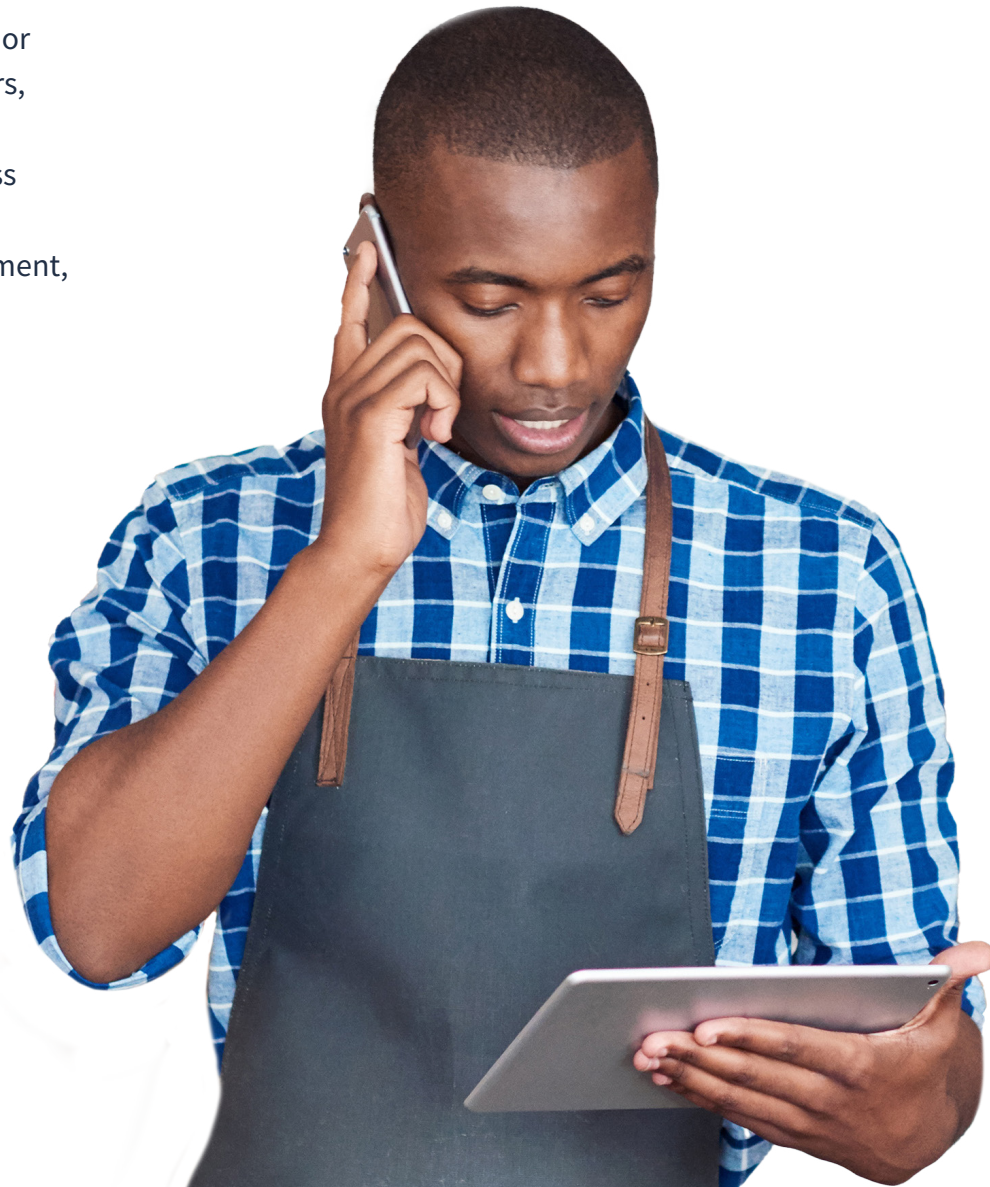
2.6%



77% of small businesses are concerned about rising interest rates.

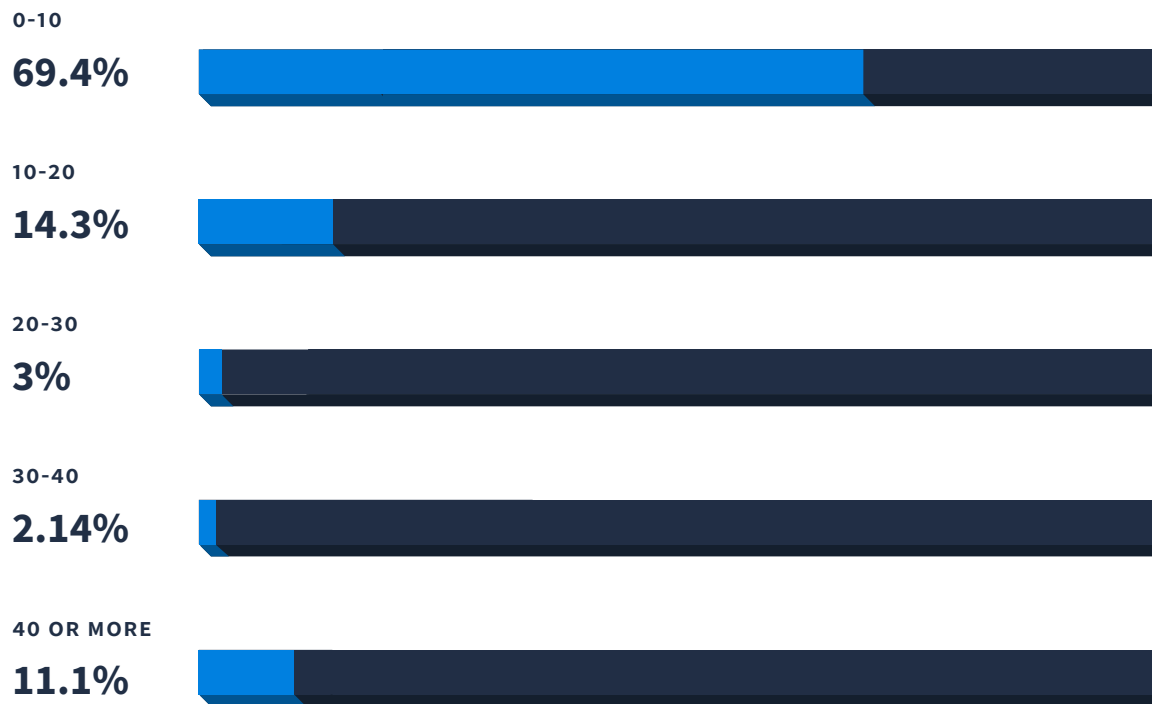
About the Small Businesses

This section of the report provides some additional context on this quarter's survey respondents. It's important to note that a vast majority of survey respondents have 10 or fewer employees — many are individual business owners, freelancers, solopreneurs, family owned businesses, or small-but-mighty teams. This survey represents business owners in a wide range of industries, including retail, transportation, hospitality, financial services, entertainment, and many others.



How many employees do you have?

Veem surveyed 468 small business owners in the U.S. and Canada for its report on interest rates and SMB sentiment. The vast majority (69%) of survey respondents were business owners, freelancers and solopreneurs with 0-10 additional employees.



69% of small business owners surveyed have 0-10 employees.

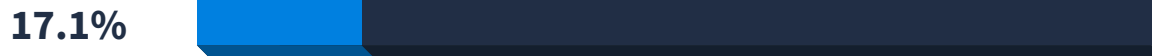
How much revenue did your company generate in 2021?

Most of the small business owners we surveyed generated \$500,000 or less in revenue last year. Nearly 20% generated between \$1 million - \$5 million while 17% generated between \$500,000 and \$1 million. In periods of above average inflation, small business owners with tight margins can see a big change to their bottom line.

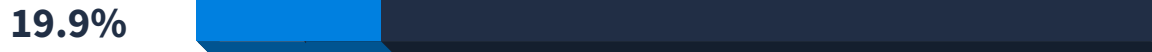
LESS THAN \$500,000



\$500,000 - \$1 MILLION



\$1 MILLION - \$5 MILLION



\$5 MILLION - \$10 MILLION



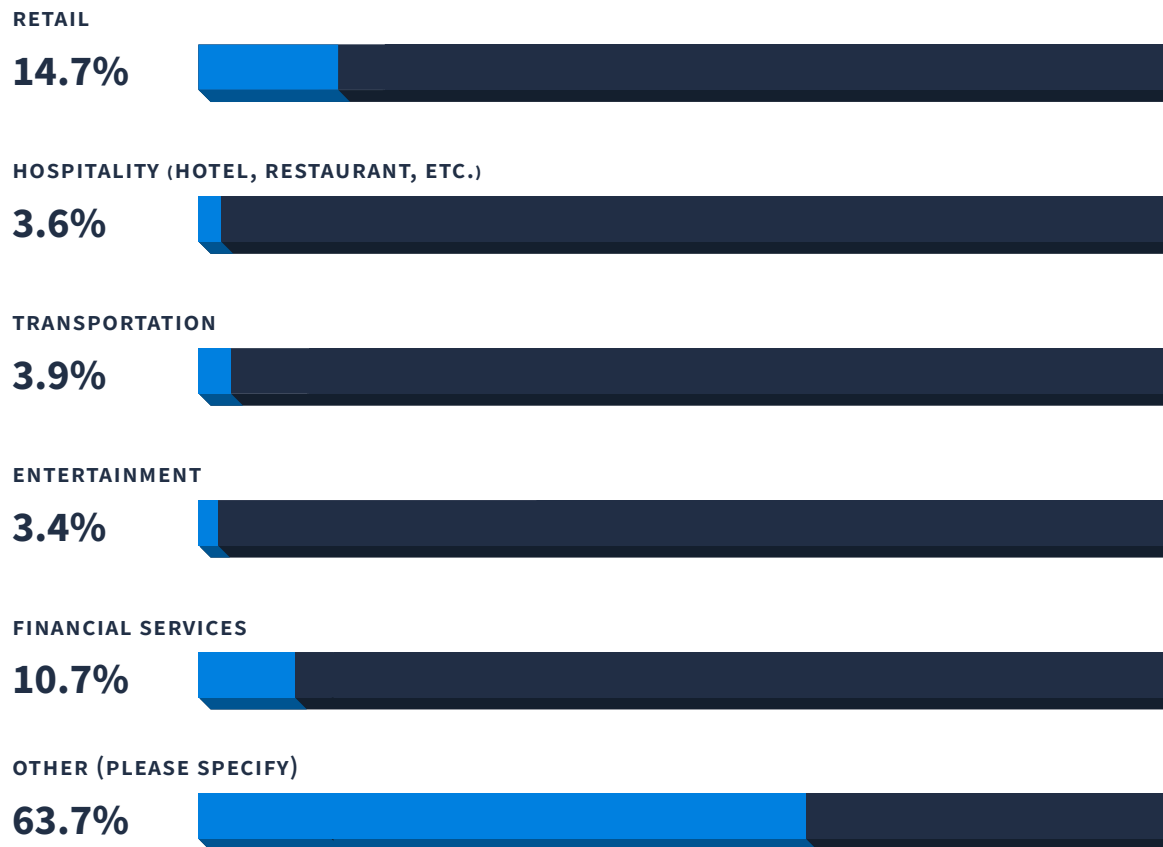
\$10 MILLION OR MORE



53% of small business owners we surveyed generated \$500,000 or less in revenue in 2021.

Which industry do you work in?

Almost one in five small business owners we surveyed (15%) owned a retail industry business. Financial services (11%) and transportation (4%) represented other common industries for small business owners surveyed.



15% of small business owners we surveyed operate retail industry businesses.

About Veem

Veem helps businesses save time and optimize cash flow by simplifying the way they send and receive payments domestically and internationally. Trusted by more than 500,000 businesses in over 100 countries, Veem uncomplicates the end-to-end AP/AR process with seamless integrations to leading accounting software, real-time tracking on payments and cost-effective, flexible payment options. Now businesses have the power to pay how they prefer and eliminate friction with customers to get paid faster. Veem is headquartered in San Francisco, California.

Learn more at www.veem.com.

