

Recession? Slowdown? Could Be an Opportunity to Position Your Business for the Future



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Gene Marks:

Hey, everybody, and welcome to “On the Mark”. This is Gene Marks, and thank you so much for joining me today. This is the weekly podcast that I do where I take something coming out of the news and talk a little bit about it, particularly how it impacts you and your small business.

So, what's in the news? Well, everywhere you look, the news is all about recession, and the question is, you've got to be asking yourself, is a recession on the way? Are we seeing an economic slowdown right now? What is going on in the U.S. economy?

Well, let's talk a little bit about what's happening in the U.S. economy very quickly and tied into the news that is just happening. So, for example, we're awaiting right now the issuance of gross domestic product for the second quarter of 2022. The first quarter was a negative 1.5%, and just recently, Goldman Sachs slashed their GDP forecast for the second quarter to just barely above water. Frankly, at about zero, and many other banks are forecasting GDP to also be either zero or about one and a half percent in decline. It would be two quarters in a row.

In the construction market, homebuilder confidence has plunged, according to the National Association of Homebuilders. Existing home sales are off 17% since January and housing inventory is up 35%. That's not good when it comes time to sell houses, and as you know, if you're running a small business and if you're directly or indirectly related to the construction industry, those numbers do not bode well.

Manufacturing is also declining, as well, according to the Institute of Supply Management's Manufacturing Composite Index, which they put out every month. The growth in manufacturing is slowing significantly. We all know the stock market is down — 19% since January. We've seen sentiment, consumer sentiment has plunged in the past couple of weeks, according to the latest University of Michigan poll, and small-

business sentiment is now at its lowest level since 2013, including to a recent report issued by the National Independent Business Association.

So, not only that, but the Fed is expected to raise interest rates pretty soon, and because of that, too, to temper inflation, of course, because of that, that is having an impact or will have an impact on the cost of capital, and people are afraid that's going to cause a recession.

And also, just to lay on you, the tech industry has also laid off tens of thousands of workers. Real estate firms like Compass and Redfin have also announced layoffs. Wall Street, because they over-hired the past couple of years expecting a boom; They're now expecting to lay off people as well.

All of those things are happening, but before you get really upset, let me give you a little bit of good news here. Okay. Travelers to our nation's airports, according to the TSA, are almost at the same levels as 2019 pre-pandemic. Household net worth — our wealth — remains at historical highs. I mean, down a little bit from recent highs because of the stock market, but still up and elevated. Unemployment remains at record lows. It is hovering around 3%, — between three and 4%. And even retail sales in June, they increased 1%, which was not a bad number at all.

Most importantly, just last week, the banks of America reported their earnings. Okay, JP Morgan Chase, Wells Fargo, Citigroup. So, if you want data, forget about surveys all right. This is like actual data. All three of those big banks, again, JP Morgan Chase, Wells Fargo and Citigroup, they revealed that while Wall Street has been hit hard by the deep market slump, Main Street continues to hum along — and I'm using the exact words used in a CNN report by Julia Horowitz.

Credit card spending, according to the banks, continues to look healthy, and while banks are putting aside more money to cover bad loans, they just aren't seeing significant problems yet. Right?

So, you know, a portfolio manager on Wall Street said if you didn't look at anything else and you just looked at the bank numbers, you wouldn't be thinking there's a recession around the corner. Which brings me back to the question that I originally asked when I opened up this podcast; Is there a recession coming?

So, let me tell you this, because I'm looking at the data myself. Yeah, we are definitely in a slowdown. And yes, we will continue to see a slowing economy, I believe, throughout the end of this year and maybe into the first quarter of 2023. Having said that, this is not 2008 or 2009. This is no Great Recession. It is a slowdown, and that slowdown might present some opportunities for you if you are running a business.

Two of them, number one, is a slowdown, although nobody likes it, will slow down price increases, as well, because it will impact demand. So, it may give you an opportunity to get your prices back under control, your costs under control, and even build up some inventory. So, that's a good thing.

The second good thing is if there is a slowdown, like in any recession, big companies tend to lay people off during downtimes. And, if that happens — we're already seeing in real estate and in technology and most likely in financial services — that could provide an opportunity for you to snap up some good talent.

So, listen, nobody wants a recession, nobody wants a slowdown. But my expectations are, is that we are already in a slowdown and will continue to be in a slowdown for the remainder of the year. But, rather than panic, navigate your way around it, get your costs under control, look for good things to buy, and also look

for good talent to hire because that talent is quickly will quickly become available over the next six months or so, could present a great opportunity for you if you're running a small business.

Hope is information helps. You've been listening to "On the Mark", a Paychex Thrive podcast. My name is Gene Marks. If you've got any questions or comments or would like to suggest some guest, please visit us at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics.

Hopefully, you've gotten some good information from this little podcast that I do. We will see you again next week with something else the news that impacts your business and my interpretation for how you can take advantage of it. We'll see you in that. Take care.

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