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March 21, 2024

Dear Friend,

The Freedom Economy Index continues its remarkable track record of accurately measuring what those on the front lines of our economy are enduring.

The opinions of the 80,000 business owners in our survey sample - from hiring sentiment, inflation, and sales - have often contradicted “initial” government reports, only to be proven correct by later “adjustments” of these government reports.

This month, employers tell us that inflation is still a major issue, but there’s also been a significant drop in recessionary sentiment to the lowest level in 8 months. Optimism, however, has not risen to match, as small businesses are instead taking a “wait and see” approach to hiring and spending. Interestingly, businesses in red states are 20% more likely to be optimistic about their business future than those in blue states.

We also measured the “mental health” toll of the last few years, with 1 out of 4 business owners saying their exhaustion level is a 10 out of 10, with another 35% scoring their exhaustion as an 8 or 9. Less than 1% say they are ‘refreshed and energized.’”

This month, we take a deep dive into the labor market, with employers outlining their experiences with Boomers, Gen X, Millennials, and Gen Z. You’ll want to see who got the best report card.

We also tested a number of other issues, from crypto-currency, to the Tik Tok ban legislation, hiring intentions, and even how their business would be impacted by a Fed rate cut this year.

Americans are resilient, and the small business community is finding ways to survive despite the economic headwinds of the past two years. That’s the story of this month’s results. We hope you find them inspiring, and instructive.

Sincerely,

A handwritten signature in black ink that reads 'Michael Seifert'.

Michael Seifert
CEO, PublicSquare

A handwritten signature in black ink that reads 'Andrew Crapuchettes'.

Andrew Crapuchettes
CEO, RedBalloon.work

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Executive Summary

March 2024

Small businesses sense that the economy is at an inflection point. They're holding their cards and waiting for the right moment to either spring into growth mode, or retract into a defensive posture.

Fewer business owners now feel we're headed to a major recession, but most are uncertain of exactly where this economy is going.

Inflation continues to be a factor, and as a result, more business owners now expect the Fed to keep rates unchanged.

The tight labor market also continues to be a challenge, and incoming Gen Z job seekers have earned mixed reviews. In fact, many employers would rather endure the difficulties of being "under-staffed" as a preferable alternative to dealing with the problems Gen Zers bring to the workplace.

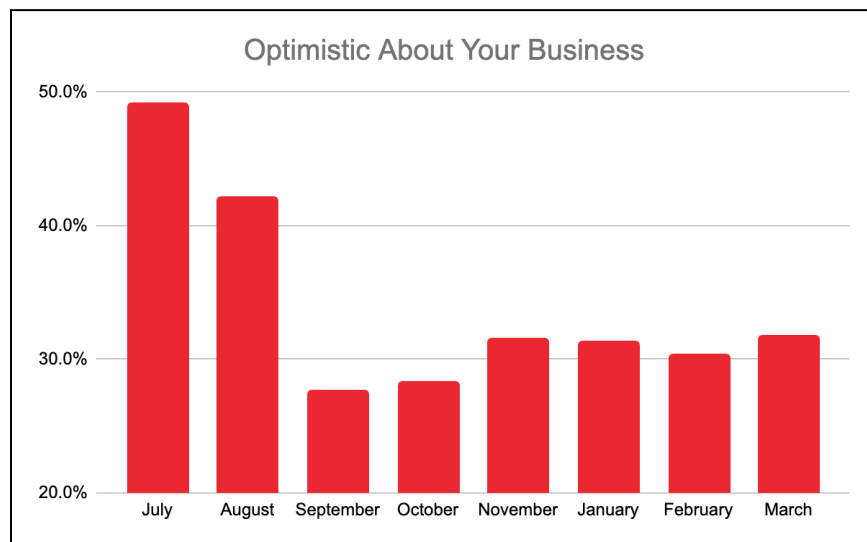
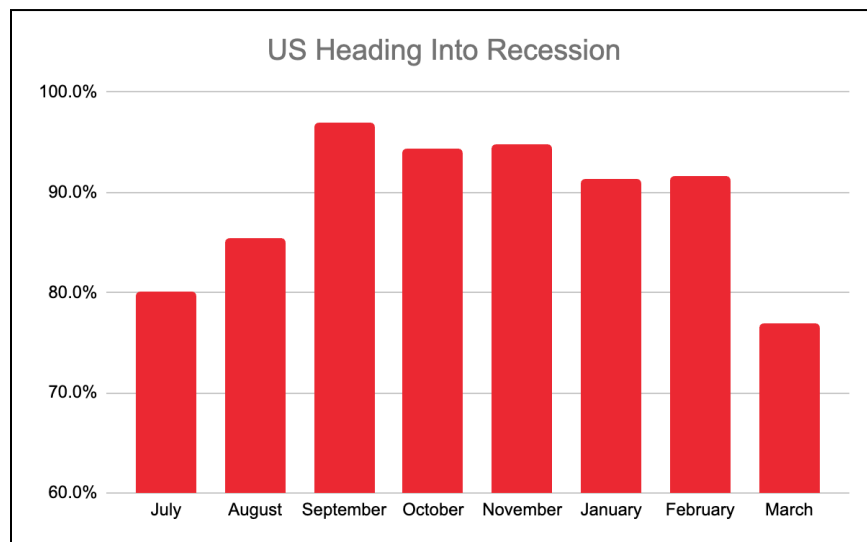
One thing is certain: it's been a grueling economy under the Biden Administration, and small business owners are exhausted. They're also alarmed at the accumulation rate of federal debt.

Key Findings

Shift in Recessionary Sentiment

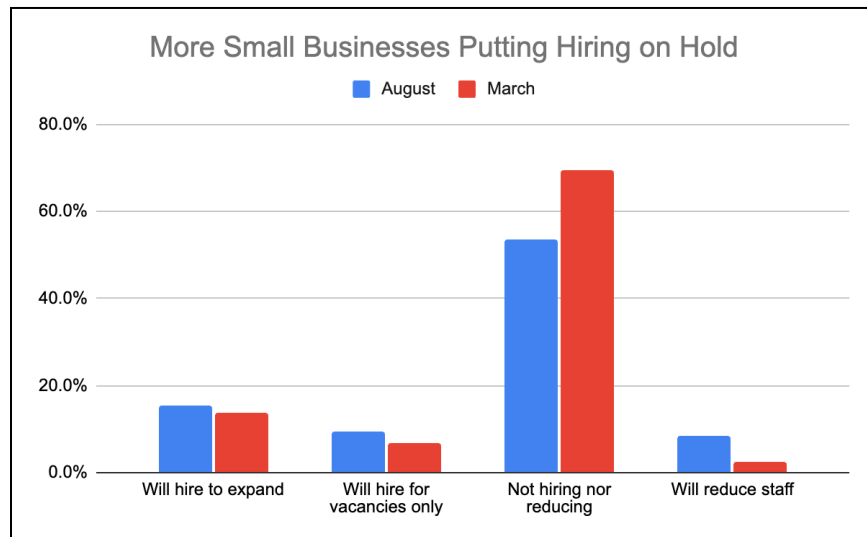
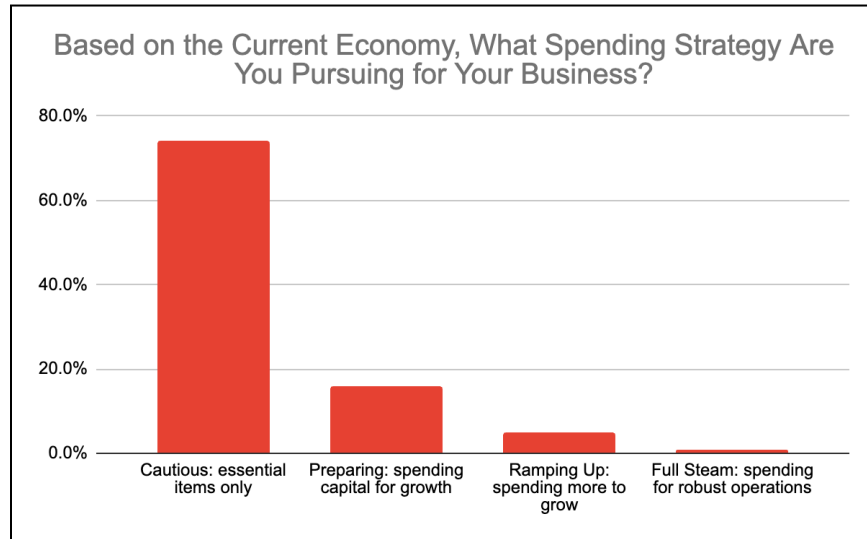
The number of small businesses who expect the US to slip into a “major recession,” has taken a significant drop to an 8 month low. Does this mean that the economy has truly turned a corner and small businesses are anticipating growth?

Not so fast. While recessionary sentiment has fallen, future optimism hasn't risen to match.



“Wait and See” Mode

The economy is at an inflection point, and small business owners are holding their resources awaiting economic direction. Business owners told us this month that they are spending cautiously and only making essential purchases. In addition, the number of respondents who are neither hiring nor firing is at the highest level since the FEI began tracking that statistic.



Sample of Comments

“Cautious, but trying to find ways to grow.”

“Spinning in a circle, not knowing WHAT to do.”

“Cutting back, finding ways to save.”

“Borrowing heavily just to make ends meet.”

“Investing in new products for when the dam breaks.”

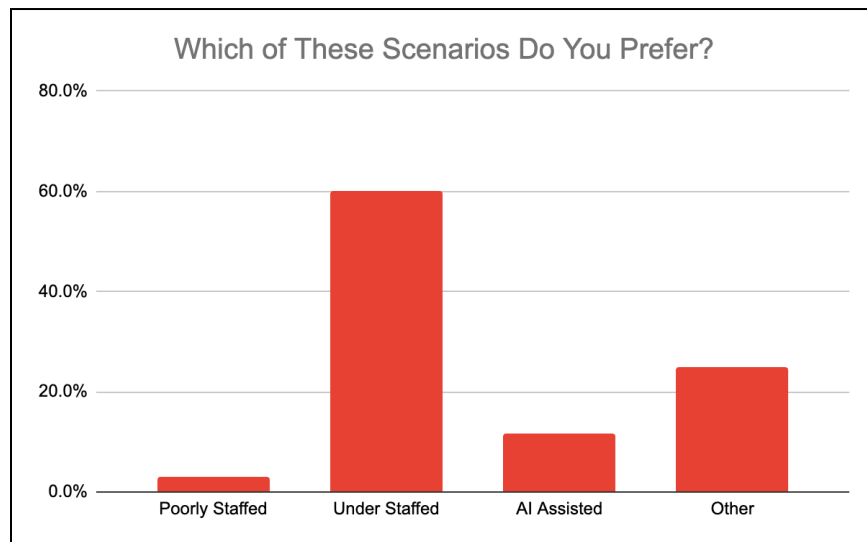
“Very targeted spending.”

State of the Labor Market

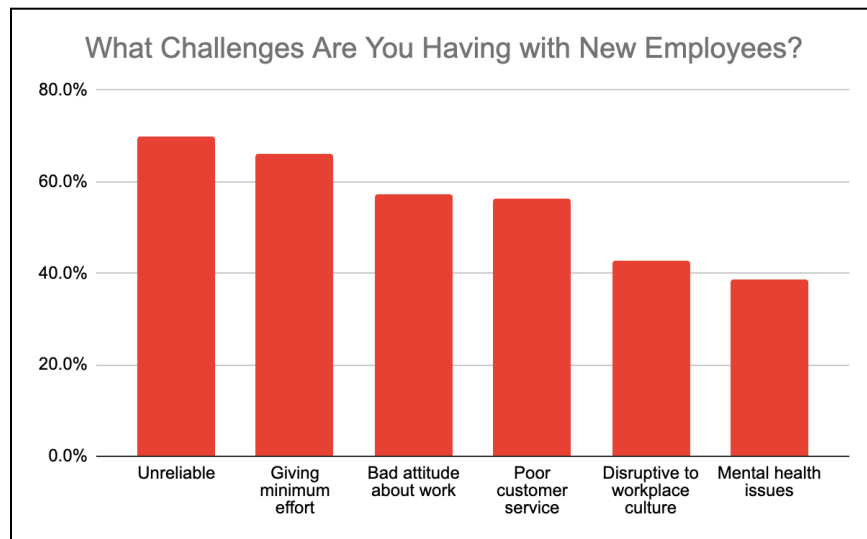
With the Bureau of Labor Statistics reporting that there are only 0.7 job seekers for every open job, small business owners say that in this job market they would rather be “under-staffed” than “poorly staffed.”

Q: Which of these scenarios would you prefer?

- | | |
|--|-------|
| 1. Poorly staffed (lots of employees, but lots of challenges). | 3.1% |
| 2. Under staffed (less people, less problems, more hours for me) | 60.1% |
| 3. AI Assisted (less staff, more artificial intelligence) | 11.7% |
| 4. Other | 25.1% |



Respondents also told us that “reliability” remains the top challenge with new hires.



Why Not Gen Z?

Gen Z employees may be a primary drivers of employers' negative sentiment toward today's job seekers. This month's survey found that:

- 68% of small business owners rate Gen Zers as the "least reliable" of all their employees.
- 71% say Gen Z employees are the most likely to have a workplace mental health issue.
- Less than 4% identify Gen Z as the generation that "most aligns with their workplace culture."
- 62% say Gen Zers are the most likely to cause division and toxicity in the workplace.
- 57% say Gen Zers are the most likely to post a risk of a workplace lawsuit.

Generation Z Labor Market Report Card	
Reliability.....	F
Fits Workplace Culture.....	F
Divisive & Toxic.....	F
Mental Health.....	F
Workplace Lawsuits.....	F

Not a positive report card for the generation entering the workforce just as huge numbers of baby boomers are retiring.

Here's a sampling of verbatim comments from employers:

“Absolute delusion, complete lack of common sense, and zero critical reasoning or basic analytical skills.”

“Entitlement; they want higher-end coffee, large pay increases every year, promotions, perks, benefit upon benefits, more remote work even though they may be underperforming already with 2 days' per week remote.”

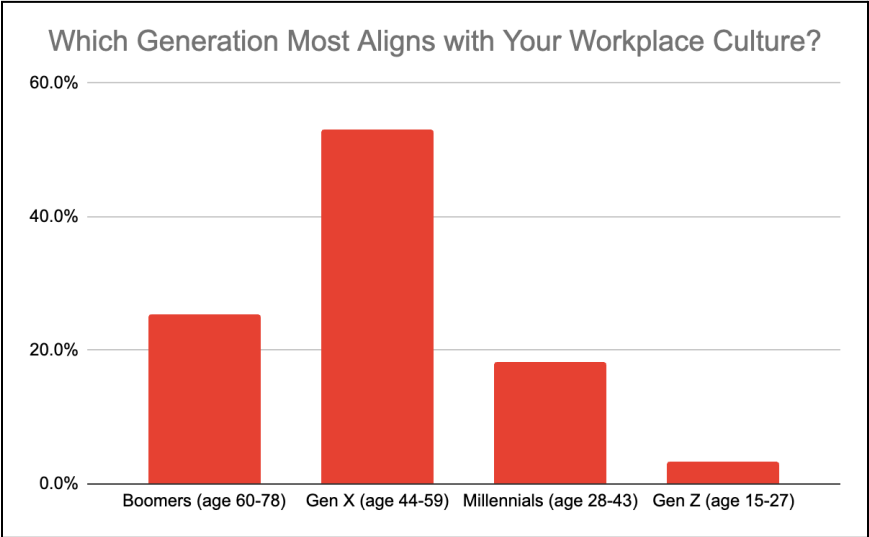
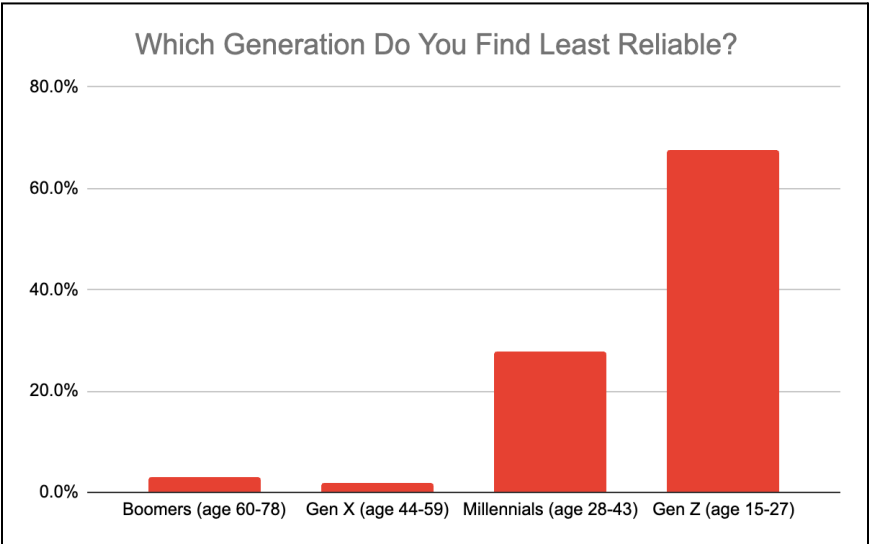
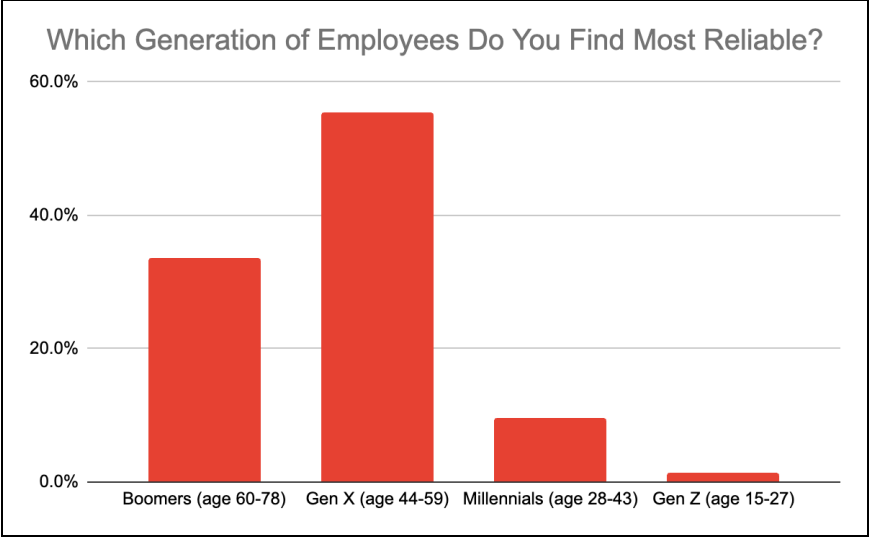
“Expecting promotions for simply showing up everyday.”

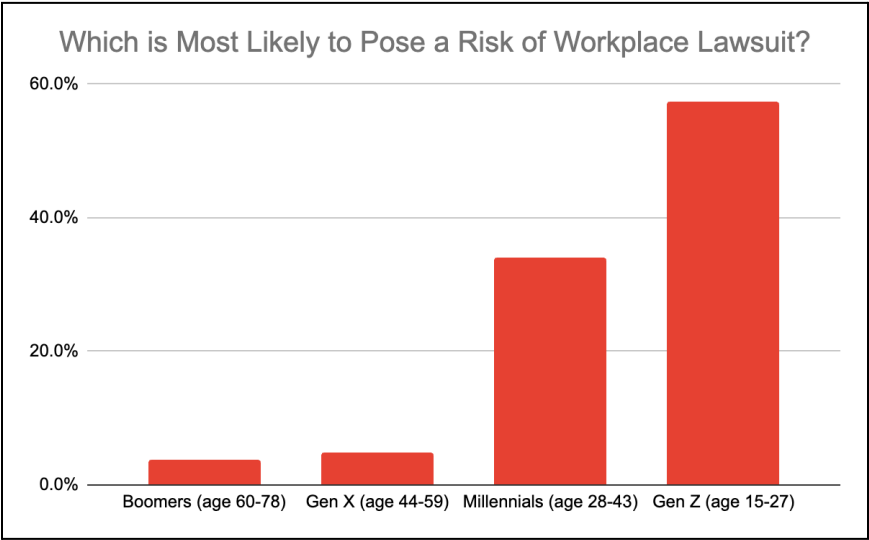
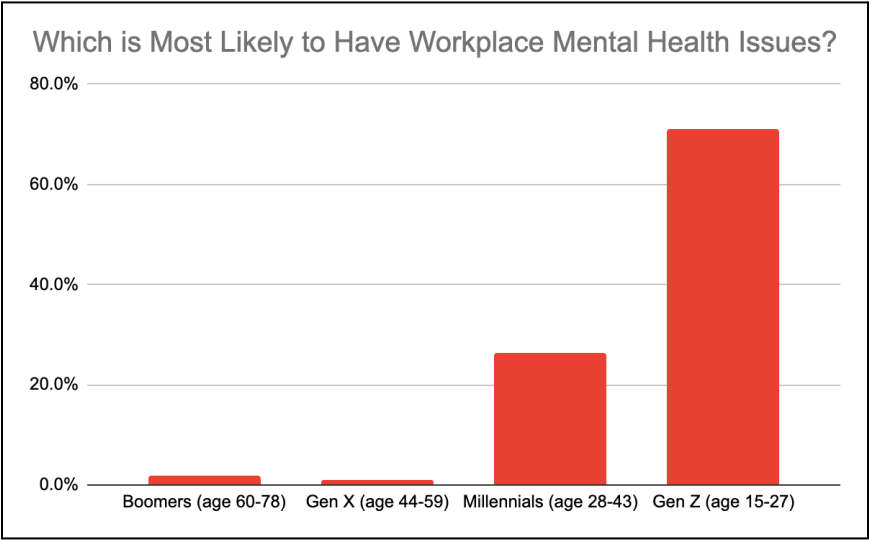
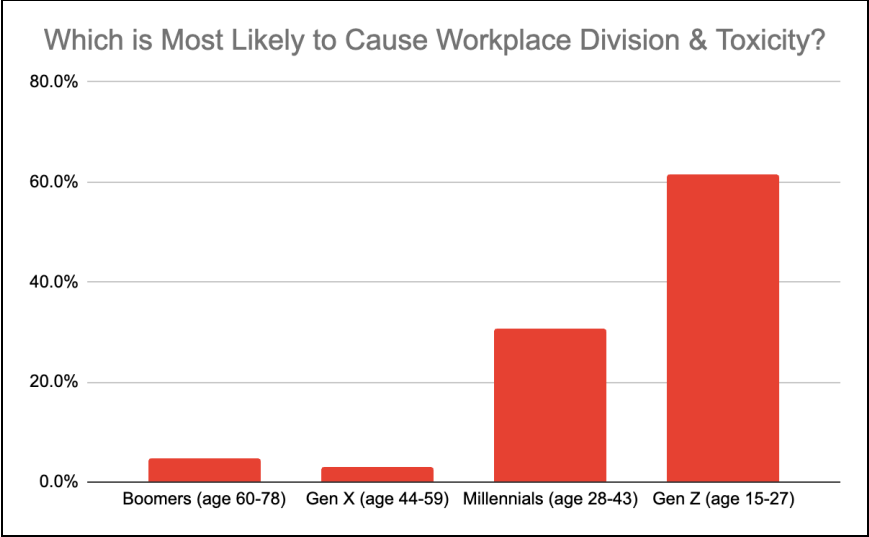
“Most likely to demand workplace culture to fit their preferences rather than adjusting to the workplace culture.”

“Sense of entitlement and lack of work ethic.”

“Unjustified expectations and entitlements.”

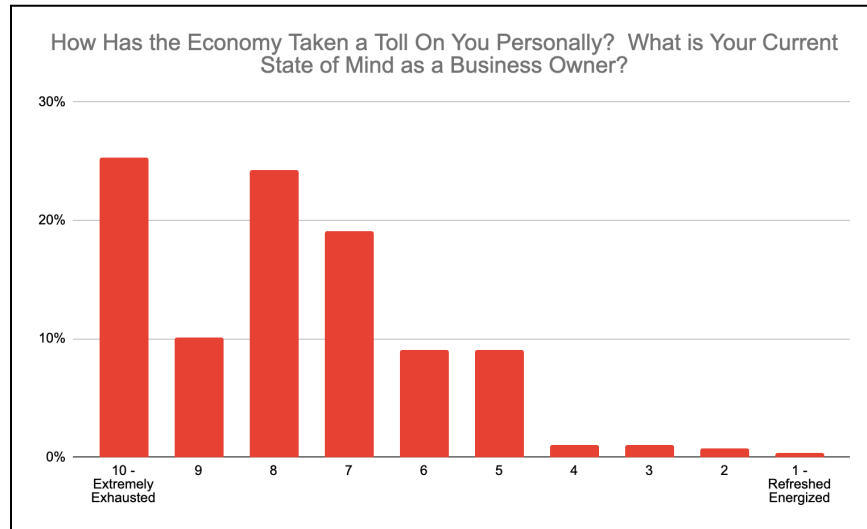
“You can't get them to even show up so attitude may not be an issue...”





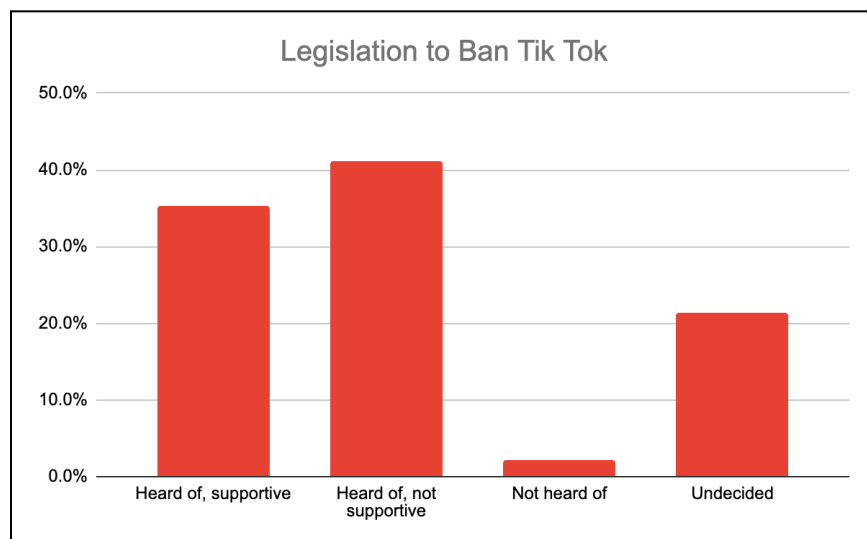
Speaking of Mental Health...

The challenges of the past few years have taken their toll on small business owners with 1 in 4 respondents saying they are a “10 out of 10” on exhaustion levels, while another 35% say they are an 8 or a 9.



Does Banning Tik Tok Help?

Small business owners are keenly aware of the Tik Tok ban legislation in the congress and are divided on their preference. 35% say they are supportive of the ban, and 41% say they oppose. Only 2.2 say they haven't heard of the issue.



“No other business can survive by only maintaining their existing debt liabilities. This is a disaster of magnitudes unheard of.”

“It’s going to get worse. Bonds are getting hammered. The fed govt is going to be spending a lot more than \$76 billion on interest.”

“If not corrected it will lead to absolute destruction of the economy worldwide.”

“This will only hurt the middle and lower-class taxpayers. Our business will slow down because taxpayers will not be able to afford our services.”

“Government debt and horrific spending will be increasingly disastrous.”

“We’re not even making a dent. They will have to increase taxes to service the debt they continue to issue.”

“This will hurt our economy. CPI is already so high. The amount of personal credit card debt is astronomical.”

“It is not sustainable and doesn’t leave any money for growth of the country.”

“It is destroying our economy.”

“Just like in personal finances, that leads to failure.”

“Spending interest on the debt devalues the dollar.”

“The US government needs to take a decade or so to spend less than it brings in to eliminate the debt.”

“The current practice of deficit spending is unsustainable and will end in disaster if not corrected.”

“The national debt is a ticking time bomb and it is killing the economy. We are seeing a huge slowdown in new customers because they don’t have any money.”

“It is an economic killer. We cannot sustain such a ratio.”

“The ratio will continue to grow causing much more stress on every American taxpayer.”

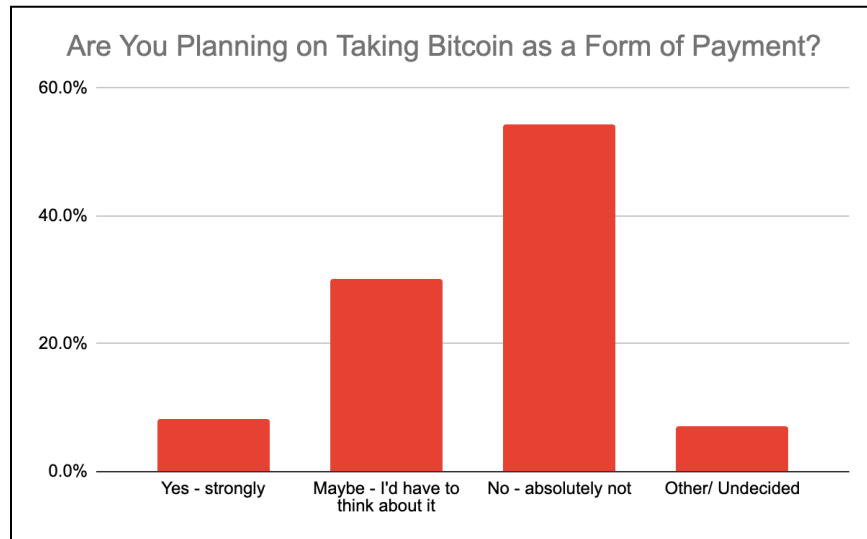
“I believe we are at the point of no return.”

“The dollar will continue to lose value, weakening the economy.”

“The devaluation of the currency harms the average citizen, the lower that a person is on the economic scale, the more devaluation harms them.”

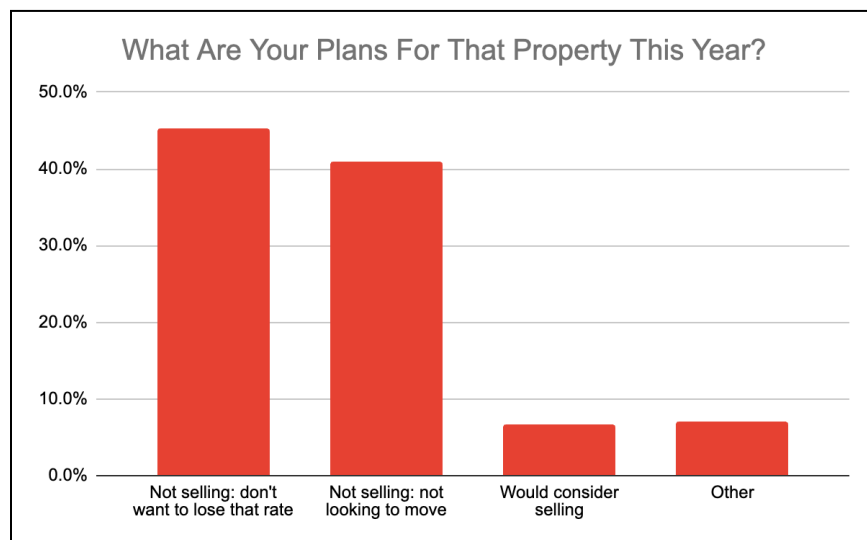
Is Crypto Currency The Answer?

As the call increases for using digital currency as a store-of-value, we asked small business owners about their comfort with Bitcoin. 8.3% said they would take Bitcoin as a method of payment, with another 30% saying they are considering it. More than half said absolutely not.



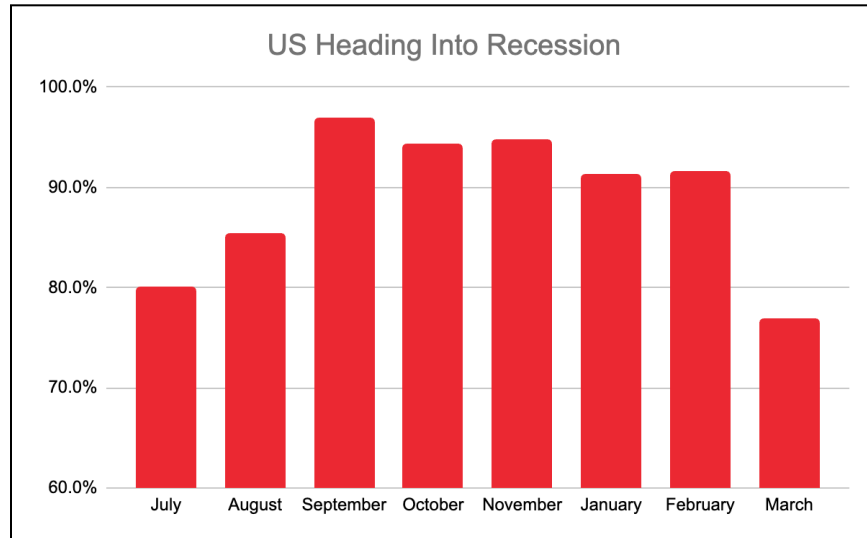
Interest Rates & Real Estate Supply

38% of survey respondents said currently they own property that is financed at a favorable 4% or lower interest rate. We asked these small business owners if interest rates were influencing their decision whether to sell that property. Nearly half (45%) said they were not considering selling solely because they don't want to lose the low interest rate. 7% said they would be willing to sell, and the balance was not considering selling for other reasons.

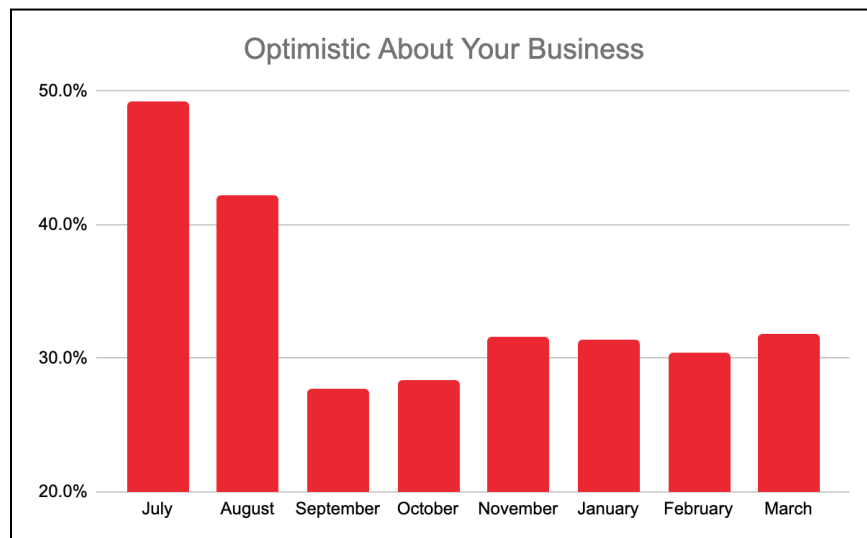


Key Economic Indicators

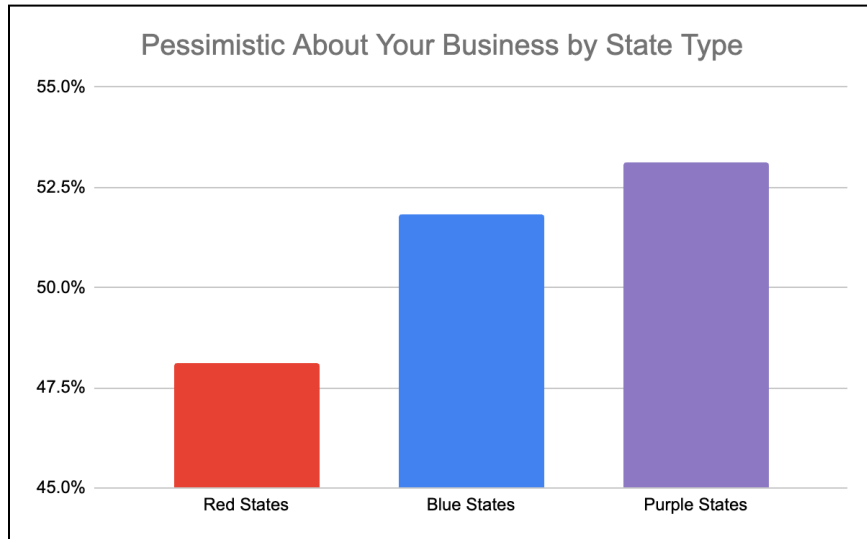
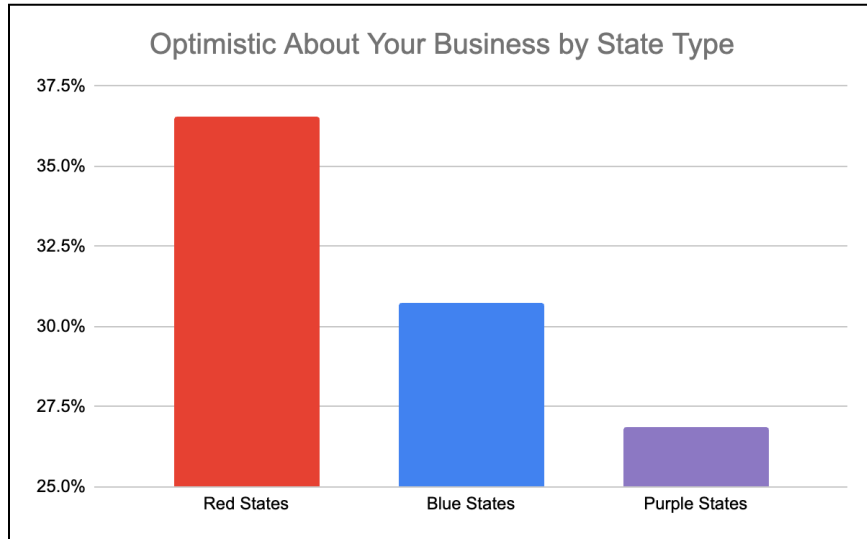
Those who believe the US is heading into a “major recession” fell sharply this month to the lowest level in the past 8 months.



Optimism about their businesses didn't rebound at the same rate, however. But optimism did continue its slow improvement of the past 6 months.

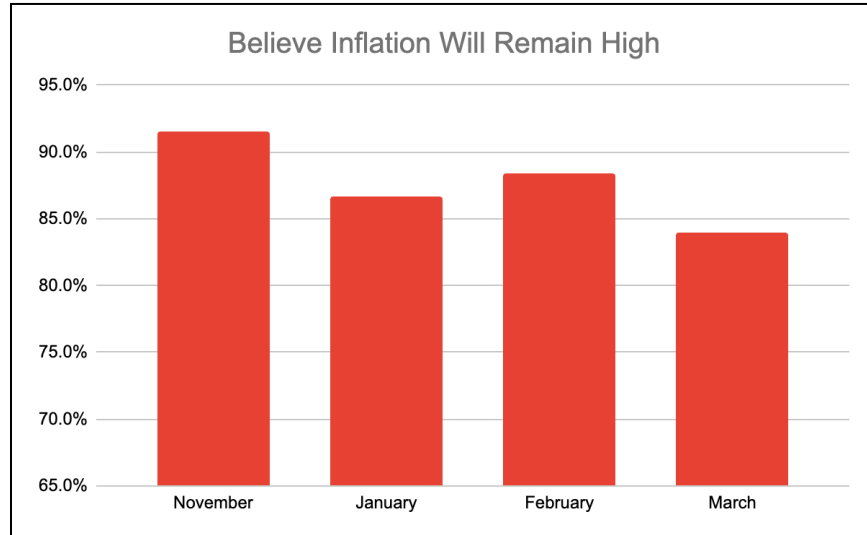


Interestingly, there's a sharp contrast in optimism among business owners in red states, blue states, and purple "swing" states. Over a third of business owners in red states are optimistic about their business prospects over the coming 6 months, while just over a quarter of business owners in purple states share the same sentiment.

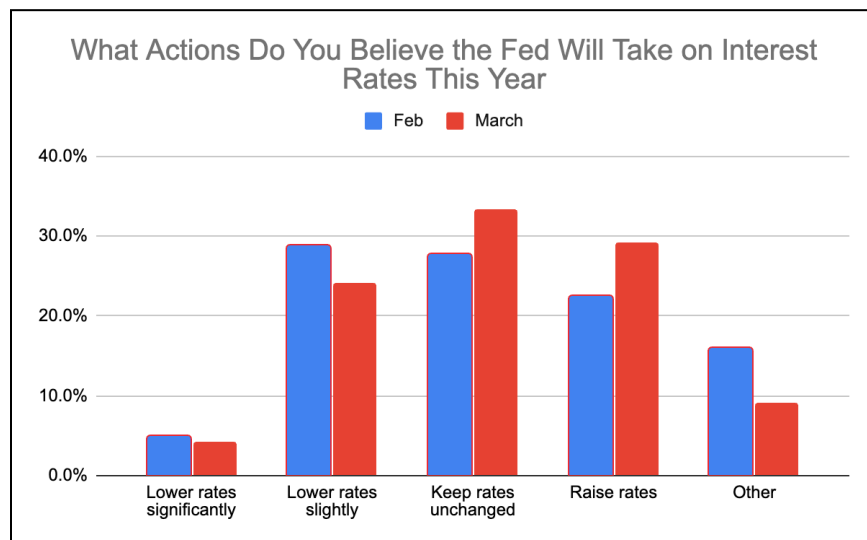


Inflation Deflating

The number of small business owners who expect inflation to “remain high” has dropped to its lowest level in 4 months, another sign of improving sentiment.

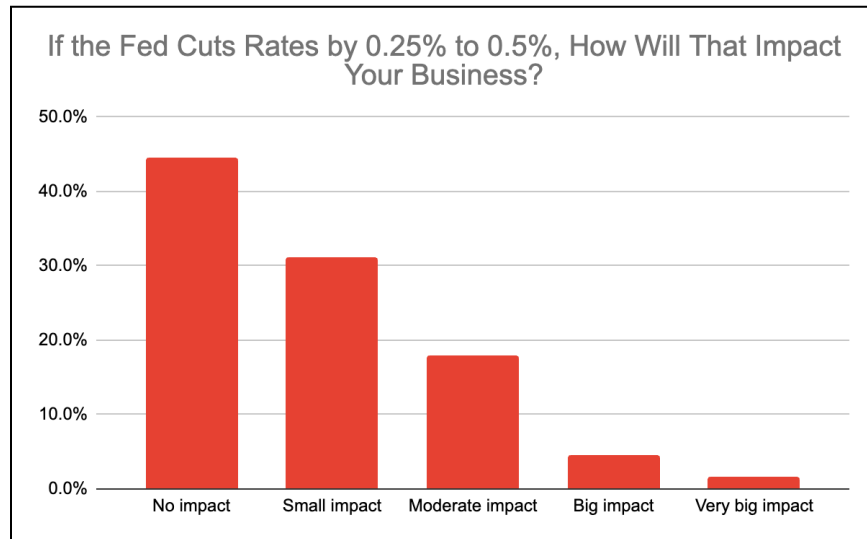


Yet there's been a decided shift in expectations of the Fed lowering rates this year. More small business owners now believe that the Fed will keep rates unchanged than those who believe the Fed will lower rates. And 30% now believe that an additional rate hike could be on the table.



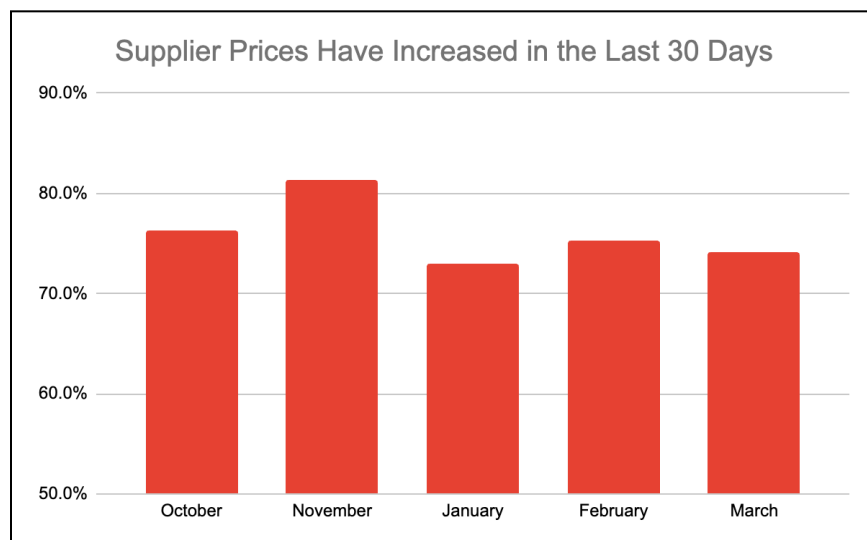
What Impact Would a Fed Rate Cut Have?

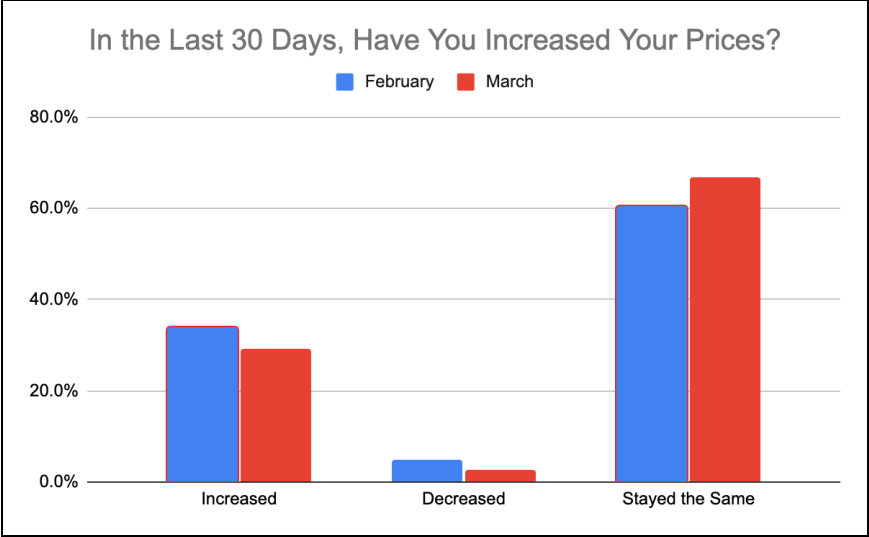
We asked small business owners what type of impact an interest rate cut of .25% to 0.5% by the Federal Reserve would have on their business. Respondents weren't impressed. 44% said it would have no impact, and another 31% said it would have "little" impact.



Supplier Prices

Wholesale prices continue to steadily rise, with 3 out of 4 small business owners reporting that their supplier prices increased in the last 30 days. Yet, 2/3rds of these small businesses have kept their prices unchanged.





March FEI Conclusions

It’s an uncertain time in American history. Small businesses have been battered these past two years by historic inflation, a tight labor market, a supply chain crisis, and skyrocketing crime.

Now, they sense that things may be improving, but there’s still much uncertainty in the marketplace. That’s why they’re hedging their bets on spending and hiring.

Economic sentiment is improving, but optimism for their business growth is still guarded. The challenging labor market still presents a major obstacle to growth, and runaway government spending has these business owners deeply concerned about the sustainability of the US dollar.

Still Americans are resilient, and the small business community stands ready to fearlessly face whatever our future may bring. At PublicSquare and RedBalloon, we stand with them as the Freedom Economy continues to grow in numbers and reach.

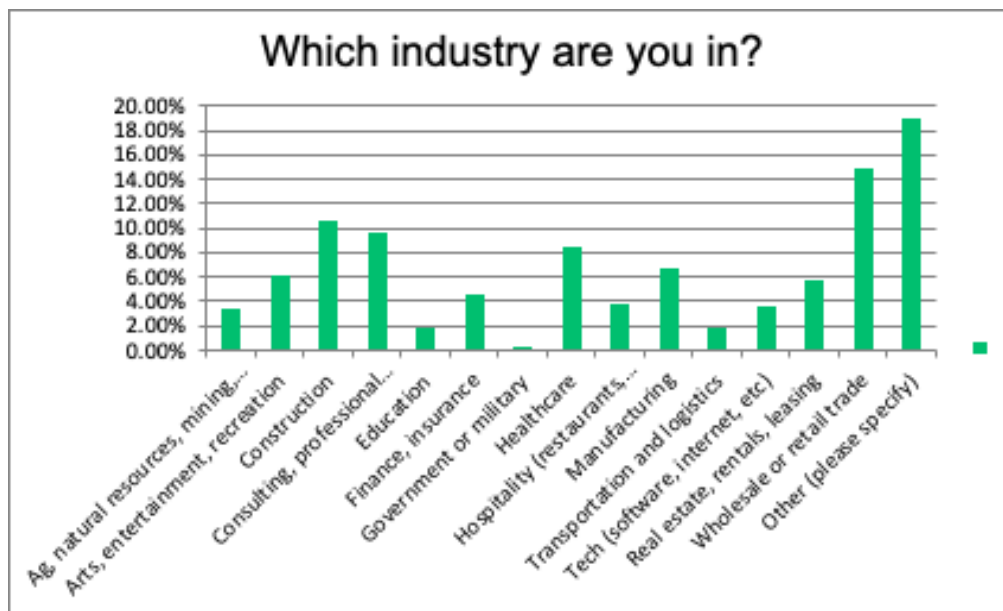
Methodology

The Freedom Economy Index surveyed a universe of over 80,000 small business owners throughout the United States, fielding the questionnaire from March 15-19, 2024, with 839 respondents. The survey has a margin of error of +/-3.0% at the 95% confidence level.

Demographics

Which industry are you in?

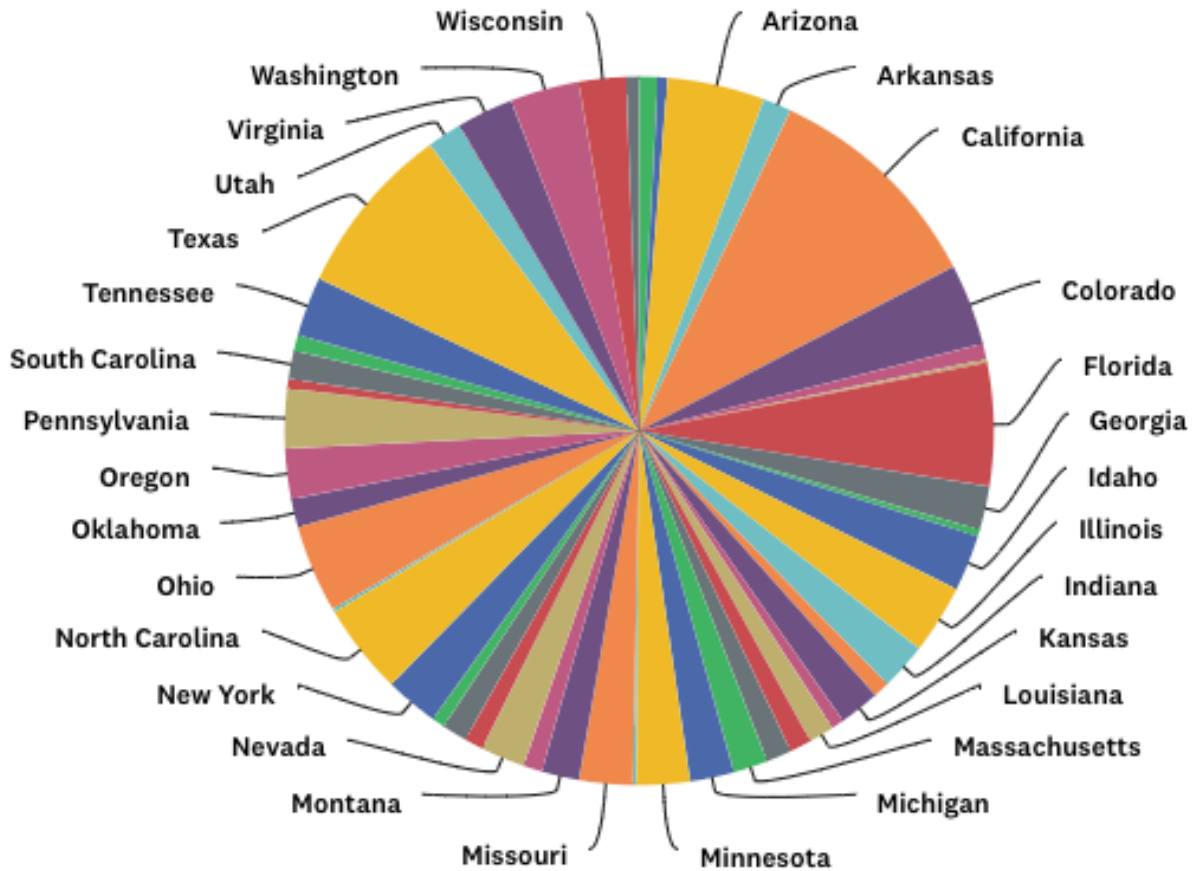
Ag, natural resources, mining, etc	3.4%	Healthcare	8.5%
Arts, entertainment, recreation	6.2%	Hospitality	3.8%
Construction	10.6%	Manufacturing	6.8%
Consulting, professional services	9.6%	Transportation and logistics	1.8%
Education	1.8%	Tech (software, internet, etc)	3.5%
Finance, insurance	4.5%	Real estate, rentals, leasing	5.6%
Government or military	0.1%	Wholesale or retail trade	14.8%
		Other (please specify)	18.9%



Industry “Other” Word Cloud:

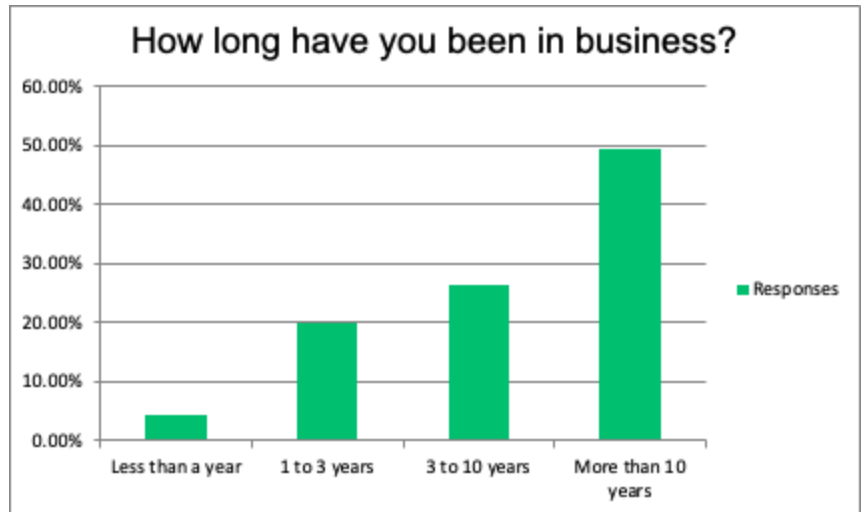


In what state is the bulk of your business located?



How long have you been in business?

Less than a year	4.4%
1 to 3 years	19.9%
3 to 10 years	26.2%
More than 10 years	49.5%



How many employees do you have?

Just me	38.7%
Less than 10	49.4%
10 to 49	10.2%
50 to 99	1.1%
100 to 499	0.6%
500+	0.2%

