



Freedom Economy Index

MAY, 2024



A JOINT PROJECT OF



RedBalloon.work



PublicSquare

Dear Friend...

Small businesses continue to tread water, waiting for direction in the economy. That's the message of this month's Freedom Economy Index survey, a joint project of PublicSquare and RedBalloon.

Our survey universe of over 80,000 small business owners represents the experiences from the front-lines of our economy.

This month we found that 4 in 10 have recently been forced to delay bill payments to manage cash flow. 7 in 10 have staffing plans on hold, neither hiring nor reducing staff. That's the highest reading we've had over the past year.

64% believe the US is headed toward stagflation and 37% now believe that the Federal Reserve will raise interest rates, with only 17% believing a rate cut will happen in 2024. That's nearly a complete reversal of February 2024's results.

Most are hoping for new direction in November, with 49% saying their businesses "definitely" or "probably" will not survive another 4-year term of a Biden presidency.

But small business owners are, in-fact, survivors. Half of those surveyed have been in business 10 years or more. They embody the American spirit of determination, hard work, and achievement, even during difficult times.

These are the business owners who comprise the Freedom Economy. We hope these survey results are instructive as we prepare to look forward to a better economy to come.

Sincerely,



Michael Seifert
CEO, PublicSquare



Andrew Crapuchettes
CEO, RedBalloon.work



Table of Contents

Key Findings

Trouble paying bills.....	4
Stagflation on the way?.....	6
Where inflation hurts most.....	7
Big question: Will you survive a 2nd Biden term?.....	8
What changes do you make if Biden wins in Nov?.....	9
Anticipated direction of interest rates.....	12
Continued caution on hiring & firing.....	13
Mike Johnson honeymoon cancelled.....	14
Priorities for Trump presidency 2.0.....	15

Partner Question

Question about the Dept of Treasury FinCEN.....	16
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Economic Indicators

Current view of the US economy.....	19
Business optimism.....	20
Inflation expectations.....	21
Supplier price changes.....	22

Demographics

Number of employees.....	23
Length of time in business.....	24
State in which business is located.....	25

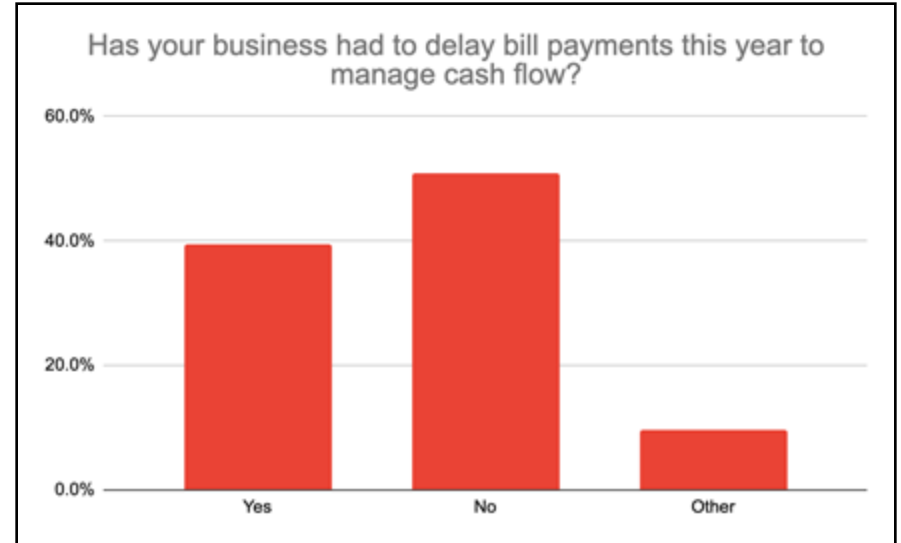


Key Findings

Struggling to Pay Bills

4 in 10 small business owners report that they've had to delay bill payments this year in order to manage cash flow. This means that Americans' growing reliance on credit isn't just isolated to consumers. US credit debt exceeded \$1.12 trillion last quarter, with an average of \$6,500 in credit debt per household. Delinquency rates rose to 10%.

Q: Has your business had to delay bill payments this year to manage cash flow?



Yes	39.4%
No	50.9%
Other	9.7%

Key Findings

Q: Has your business had to delay bill payments this year to manage cash flow?

“I’ve had to put money in the company because accounts aren’t paying.”

“Not yet. But next month looks bleak.”

“I have not paid myself in order to pay bills.”

“Not yet. But I am very concerned that this will be the case in the coming months.”

“Had to close my office down and work from home.”

“We were prospering. We are now breaking even. There’s a definite downward trend in generating revenue.”

“Not yet. High rent starts in July. Sales have started to decline.”

“Not yet but it’s getting close.”

“If you count suspending my (owner’s) salary as a delayed bill, then yes! I have little or no return on my labor, my investment, my risk-taking in these conditions, just to make sure my business survives.”

“Holding off bills where I can.”

“We have had to manage our cash flow much more tightly for the past year.”

“No but have come very close to not making payments.”

“Seriously thinking about a line of credit.”

“No delay but our margins are razor thin.”

“I had to give up my office and now working from home. Cutting cost because of inflation.”

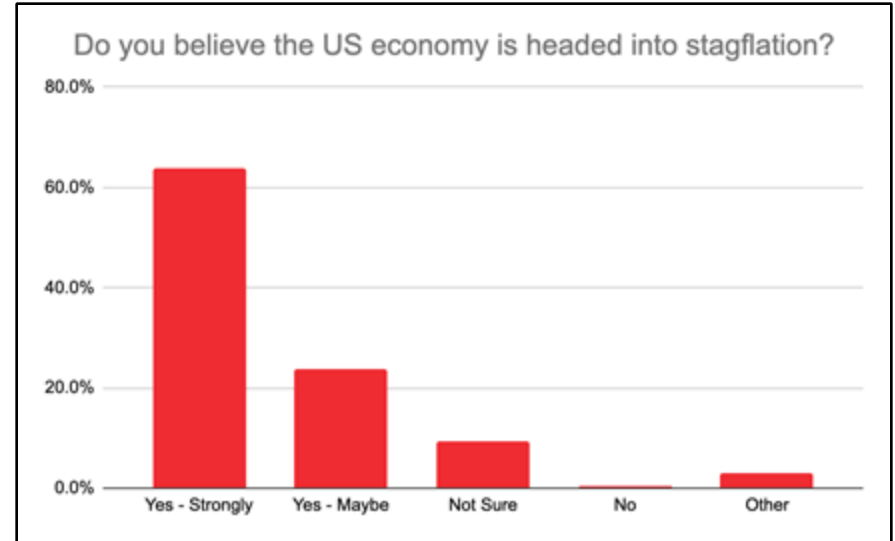
“Had to cut back on a lot of things and this hurts business growth.”

Key Findings

Stagflation on the Way?

Over 6 in 10 small business owners now believe the US economy is headed into stagflation - the situation where prices continue to rise while the economy fails to grow or even slips into recession.

Q: Do you believe the US economy is headed into stagflation?

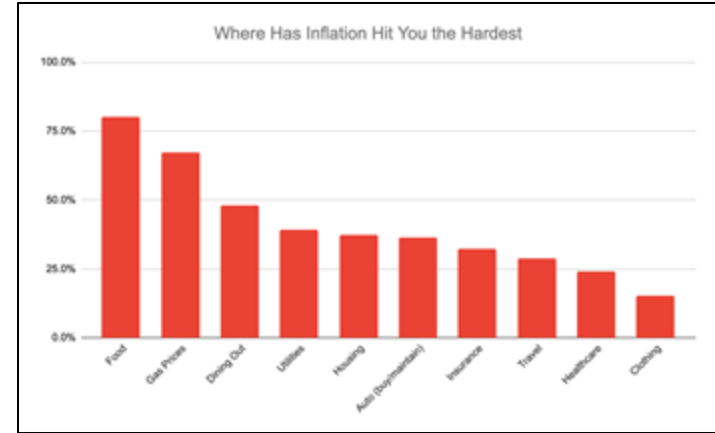


Yes - Strongly	63.8%
Yes - Maybe	23.6%
Not Sure	9.4%
No	0.3%
Other	2.9%

Key Findings

Where Does Inflation Hurt Most?

Respondents rated consumer categories on a scale of 1-5, with 5 being where “inflation has hit them and their family the hardest.” Here’s how respondents assigned level-5 to the various categories.



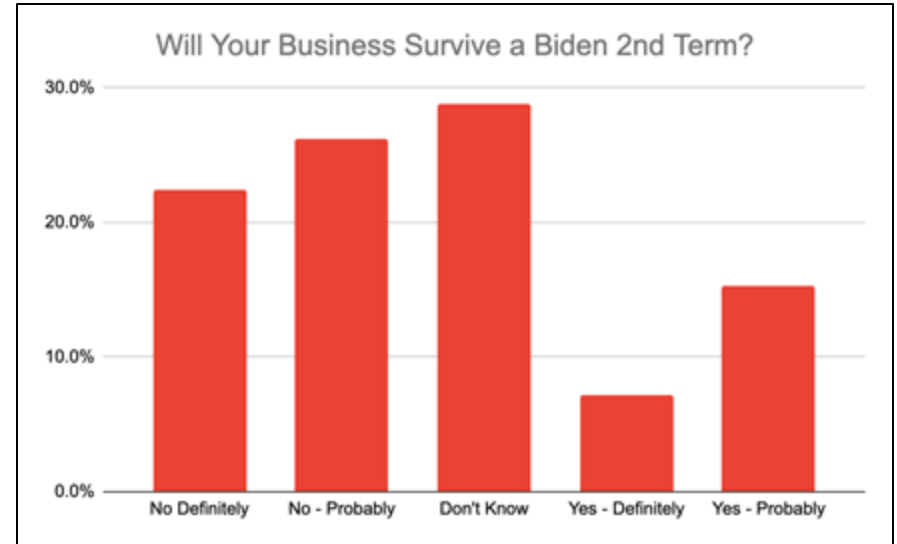
Food	80.1%
Gas Prices	67.2%
Dining Out	48.0%
Utilities	39.2%
Housing	37.3%
Auto (buy/maintain)	36.5%
Insurance	32.2%
Travel	28.8%
Healthcare	24.1%
Clothing	15.4%

Key Findings

Big Question: Will Your Business Survive Another Biden Term?

22.4% of respondents said their business “definitely” would not survive a second Biden presidential term, and another 26.2 said their business “probably” would not survive.

Q: Will your business survive a second Biden presidential term?



No - Definitely	22.4%
No - Probably	26.2%
Don't Know	28.8%
Yes - Definitely	7.2%
Yes - Probably	15.3%

Key Findings

Open Ended Question: “What (if any) changes would you consider making to your business plans in preparation for a second Biden term?”



Key Findings

Sampling of Responses: “What (if any) changes would you consider making to your business plans in preparation for a second Biden term?”

“Actively look at selling out to a larger competitor.”

“Close my businesses.”

“Cross my fingers? I don't even want to consider that.”

“Decrease staff - cut costs.”

“Elimination of lower performing business units, decrease staffing by 50%.”

“I would just shut the doors. We have already reduced cost as much as we possibly can to survive as it is. We would have no choice.”

“There are none to make. Have had to borrow money & with the drop in business, there's nothing more I can do. My daughter & I work 14 hours a day.”

“I will most likely have to close.”

“I would lay off all workers and transition to a self-employed business.”

“No changes can be made without just closing the doors. We have already cut costs to the bare minimum.”

“Raise prices to match inflation.”

“Reduce my inventory.”

“There is nothing I can afford to do in addition to what I'm already doing. If things don't change, I'll be finished.”

“We want to sell now and not take that chance.”

“We are going to have to raise prices. The last thing we want to do but inflation is higher than reported.”

“Already have made major changes to survive.”

“Delay spending on major purchases. Delay expanding.”



“Try to hunker down and cut costs any way possible.”

“Freeze on all new equipment, no new hires, decrease of hours for all employees.”

“I would close approximately half of my locations.”

“I, grievously, will probably have to close my business.”

“Laying off associates to stay afloat or just close the doors.”

“No investment in inventories. Possibly staff reductions.”

“We will close shop.”

“Will continue to reduce employee hours.”

“Buckle down and hope he doesn’t run us into the ground.”

“Cut workforce, cut expenses, cut benefits, and sublet office space.”

“Downsize dramatically. Keep a skeleton crew and service existing orders.”

“Hunker down for survivor mode. I won't spend one extra dollar, I won't hire one more employee.”

“I would have to lay off most of my employees and do everything myself to cut down on payroll. Washington State has the highest minimum wage, so that would be my first move.”

“I had planned to hire but first waiting to see if Biden wins.”

“I would expedite my exit plan.”

“I'd have to close down.”

“Limiting our spending and employees.”

“Not expand when I might otherwise.”

“Raising prices, try to grow through acquisition, and reduce costs as much as possible.”

“Sadly but probably close my business.”

“We are stocking up our supplies and keeping our overhead costs to a minimum.”

“We will not be hiring nor making any capital investments.”

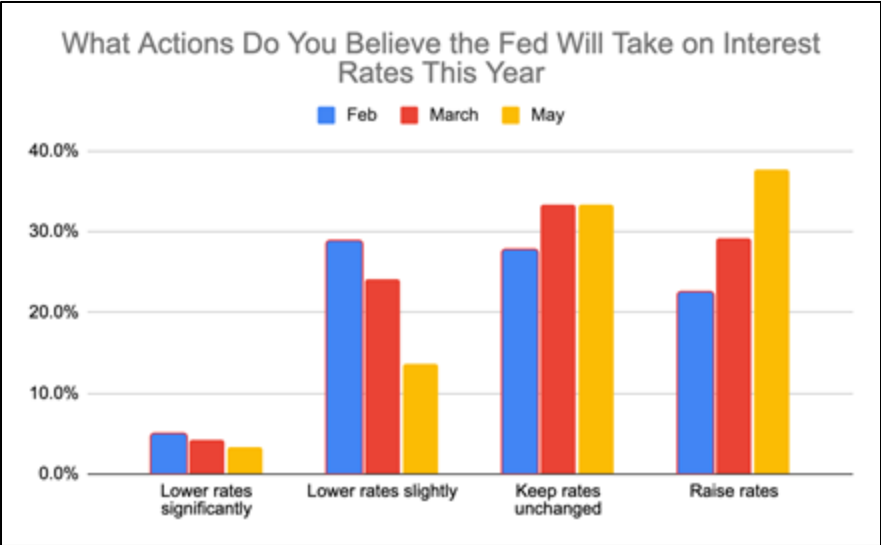


Key Findings

Anticipating Federal Reserve Actions

Nearly 4 in 10 small business owners now believe the Fed will raise rates in 2024, signaling a sharp reversal of sentiment from just 3 months ago.

Q: What action do you believe the Federal Reserve will take on interest rates this year?



Lower rates significantly	3.4%
Lower rates slightly	13.6%
Keep rates unchanged	33.4%
Raise rates	37.8%
Other	11.9%

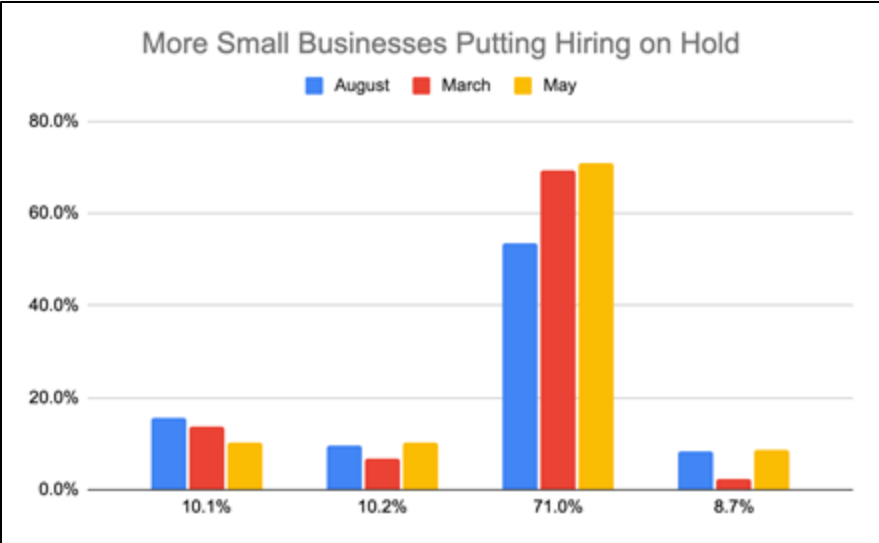


Key Findings

Continued Caution on Hiring & Firing

71% of employers say they are neither hiring nor reducing staff, the highest reading of the past year and another sign of ongoing caution by small business owners.

Q: What are your hiring plans over the coming six months?



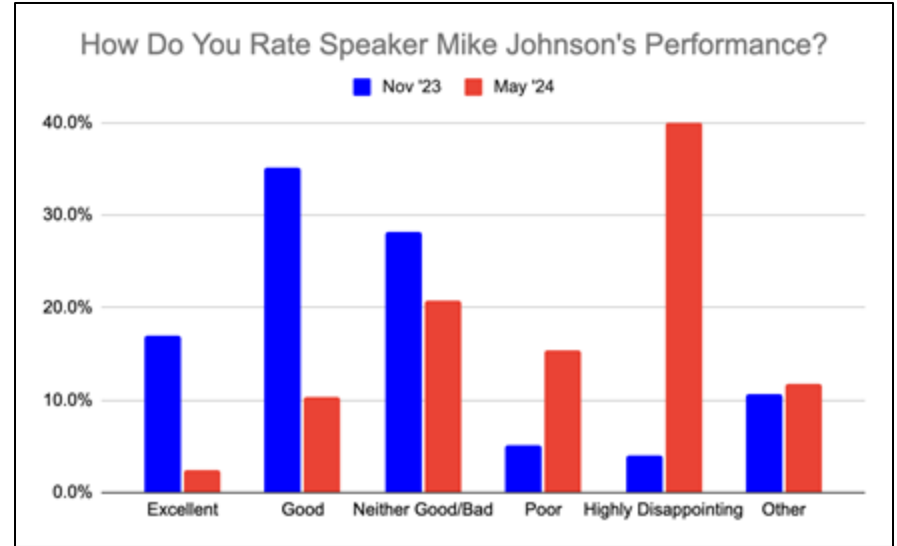
Will hire to expand	10.1%
Will hire for vacancies only	10.2%
Not hiring nor reducing	71.0%
Will reduce staff	8.7%

Key Findings

Honeymoon Ends for Speaker Johnson

55% of small business owners now rate US House Speaker Mike Johnson's performance as "Poor" or "Highly Disappointing," That's a stark turnaround from last November's survey which showed 52% gave the Speaker high marks.

Q: How do you rate the performance of current House Speaker Mike Johnson?



Excellent	2.4%
Good	10.3%
Neither Good/Bad	20.8%
Poor	15.3%
Highly Disappointing	40.0%
Other	11.8%

Key Findings

Priorities for Trump 2.0

90% of small business owners rate “control the border” as a top priority for a second Trump Administration.

Q: On a scale of 1 to 5, with 5 being “most important,” what should President Trump’s “First 100 Days” priorities be if elected in November?



Control border	90.2%
Cut gov spending	77.6%
Cut taxes, boost economy	70.3%
Root out deep state	69.0%
Fight inflation	61.1%
End Ukraine war	48.5%

Key Findings

**Question Submitted by Freedom Economy Partner Christian
Employers Alliance**



**Is The Dept of Treasury's New Filing Requirement Unfairly Catching
Business by Surprise?**

Background provided to survey respondents:

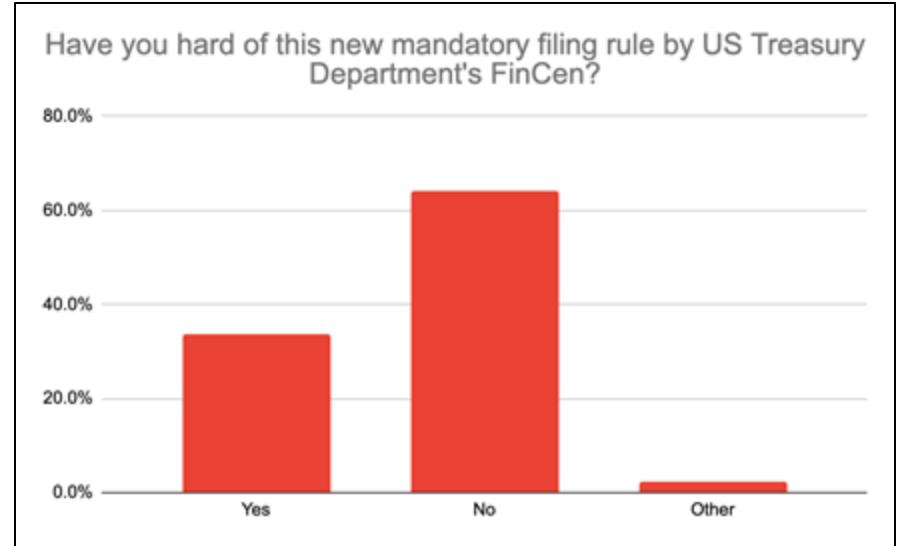
“The US Treasury Department’s Financial Crimes Enforcement Network (FinCEN) has caught many small business owners by surprise with their new requirement that corporations, LLC partners, and DBA's file a special ‘Beneficial Ownership Information’ (BOI) disclosure with the Treasury Department which includes their home addresses, birthdays, photographs of driver's licenses, Social Security numbers, and other private information. There has already been one federal lawsuit opposing the new rule, and likely more to come.”

Key Findings

Dept of Treasury FinCEN Filing Requirement

A stunning 64% of small business owners are unaware of the new Treasury Department FinCEN rule, which could result in \$200 per-day fines and even jail time for non-compliance.

Q: Have you heard of this new rule?



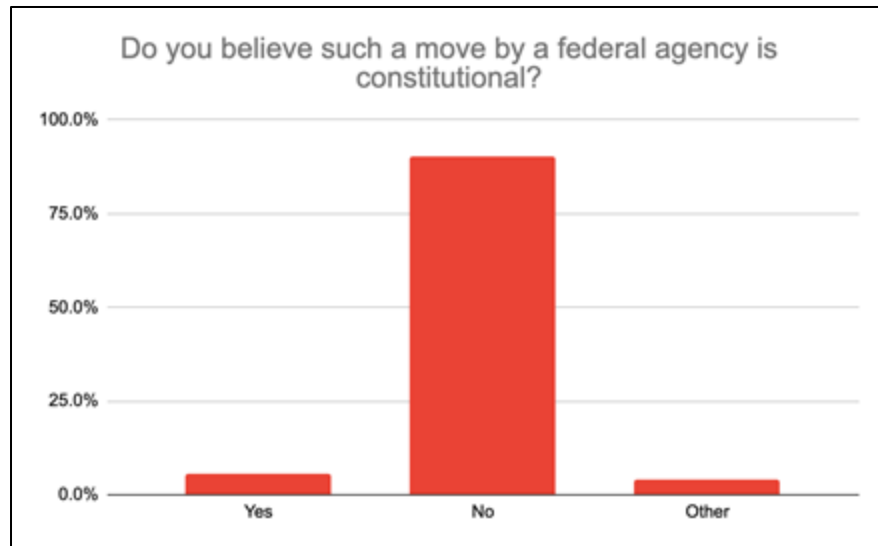
Yes	33.7%
No	64.1%
Other	2.2%

Key Findings

Dept of Treasury FinCEN Filing Requirement

90% of small business owners believe the new FinCEN rule is unconstitutional.

Q: Do you believe such a rule by a federal agency is constitutional?



Yes	5.6%
No	90.4%
Other	4.0%

Economic Indicators

Recession Fears

The percentage of small business owners who believe we're headed to a major recession stayed relatively steady over the past 60 days.

Q: Which statement best reflects your current view of the US economy?



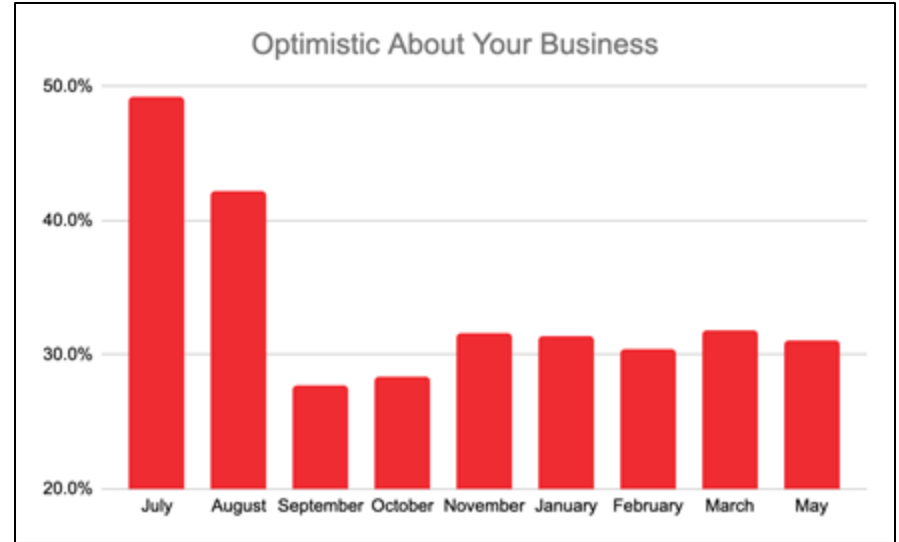
Headed to major recession	68.7%
Headed to minor recession	9.9%
Will avoid recession, but no growth	5.0%
In a period of growth	0.3%
Other	16.2%

Economic Indicators

Business Optimism

Optimism also remained guarded as business owners await direction in the economy.

Q: How do you feel about the current trajectory of your business?



Highly optimistic	5.7%
Cautiously optimistic	25.2%
Neutral	18.6%
Pessimistic	26.2%
Worried	24.3%

Economic Indicators

Inflation Expectations

Small business owners' expectations that inflation will remain high jumped in May back above 90%.

Q: Which best matches your view of inflation over the coming 6 months?



Will remain high	91.1%
Will decrease & return to normal	0.8%
Will enter into disinflation	1.1%
Don't know	7.0%

Economic Indicators

Supplier Prices Continue to Climb

80% of small businesses owners reported that their supplier prices increased again over the past 30 days, marking the 8th straight month that respondents have reported supplier price hikes.

Q: In the last 30 days, have your supplier prices increased, decreased, or stayed the same?



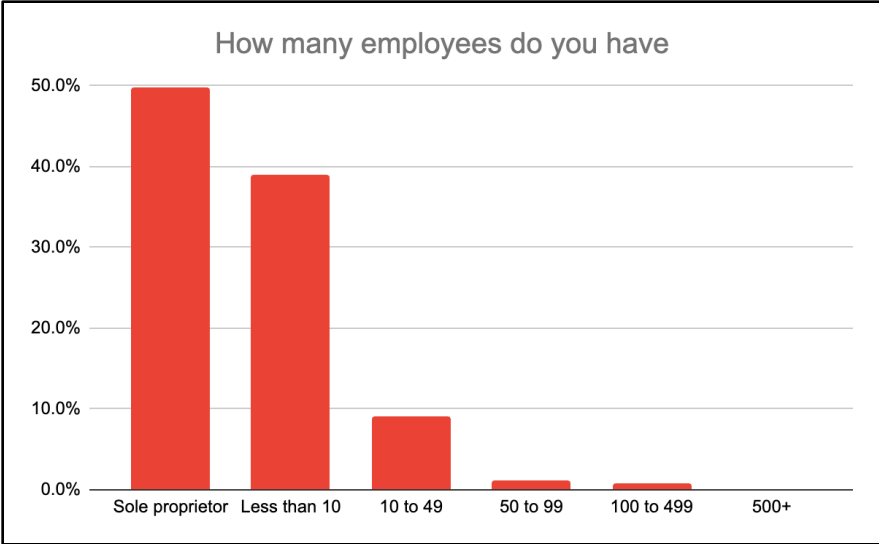
Increased	80.0%
Decreased	0.3%
Stayed the Same	14.6%
Don't know/Other	5.2%

Demographics

The May 2024 Freedom Economy Index survey sampled opinions from a universe of over 80,000 small business owners from throughout the United States. The survey fielded from April 30 to May 10, with 754 respondents and a 4% margin of error at the 95% confidence level.

Half of these small businesses are sole proprietorships, preferring to use contractors rather than carry employees.

Q: How many employees do you have?



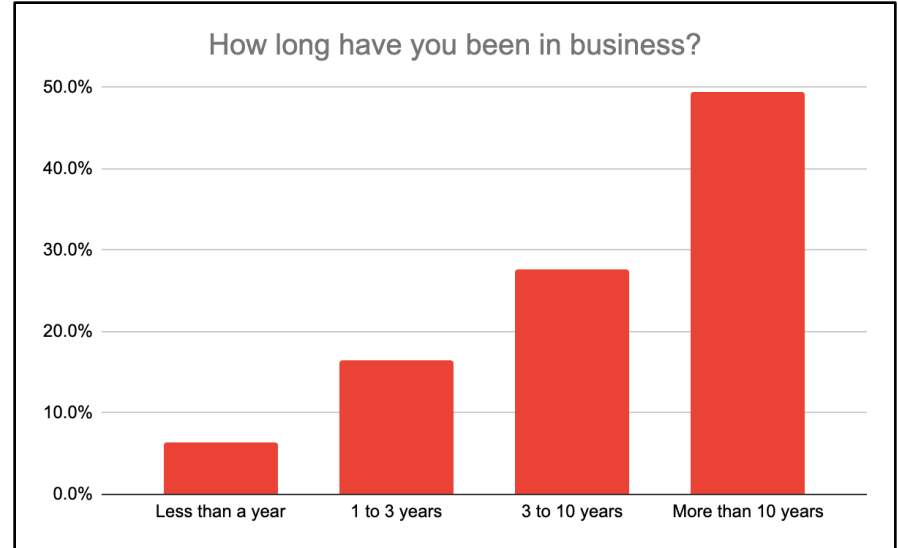
Sole proprietor	49.9%
Less than 10	39.0%
10 to 49	9.1%
50 to 99	1.2%
100 to 499	0.9%
500+	0.0%



Demographics

Half of Freedom Economy small business owners are seasoned veterans of economic survival, having been in business for over 10 years.

Q: How long have you been in business?



Less than a year	6.5%
1 to 3 years	16.5%
3 to 10 years	27.7%
More than 10 years	49.4%

Demographics

Q: In which state is the bulk of your business located?

