

Business and Employment Outlook



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Synovus administered the Commercial Client Survey in October and generated responses from 630 participants.

The survey is similar to a [Purchasing Managers Index](#) survey and consists of multiple choice questions about current business volumes, supplier performance, input costs and employment levels relative to the previous quarter. The survey also asks about future business and employment expectations.

Participants commented on pricing, volume, inflation, and other economic factors affecting their businesses. The respondents represent a wide range of industries and are comprised of approximately 75% small business owners and 25% mid/large business operations.

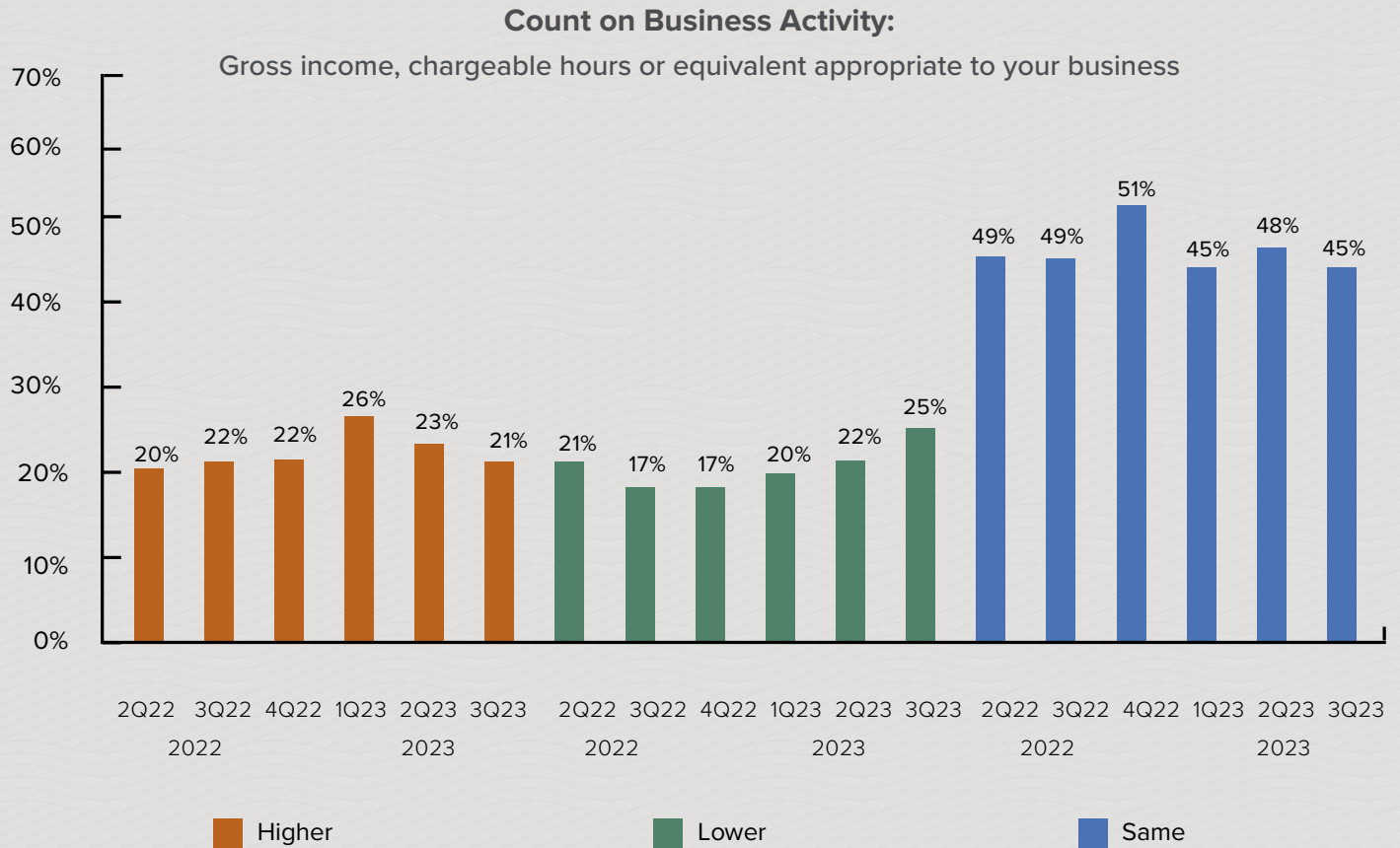
In Q3 2023 there was a discernible split between the health and wealth sectors' performance versus others. We continue to see extremely positive sentiment from doctors, health providers, medical services, country clubs, and financial intermediaries.

All respondents noted that businesses targeting higher-income segments are the only ones raising prices because they can absorb the impact. Smaller-scale operations and those targeting middle- and lower-income customers aren't optimistic about the rest of 2023 and 2024 – at least until there is interest rate relief from the Federal Reserve Bank's monetary policy efforts.

Do you expect any changes from last quarter to any of the following when it comes to your business?

1. Business Volume vs. Previous Quarter

Though most respondents cited no change in current business activity, the percentage of respondents citing higher volumes (21%) dropped from a 26% peak in Q1 2023. The percentage of customers citing lower volumes (25%) rose from a Q4 2022 level of 17%.



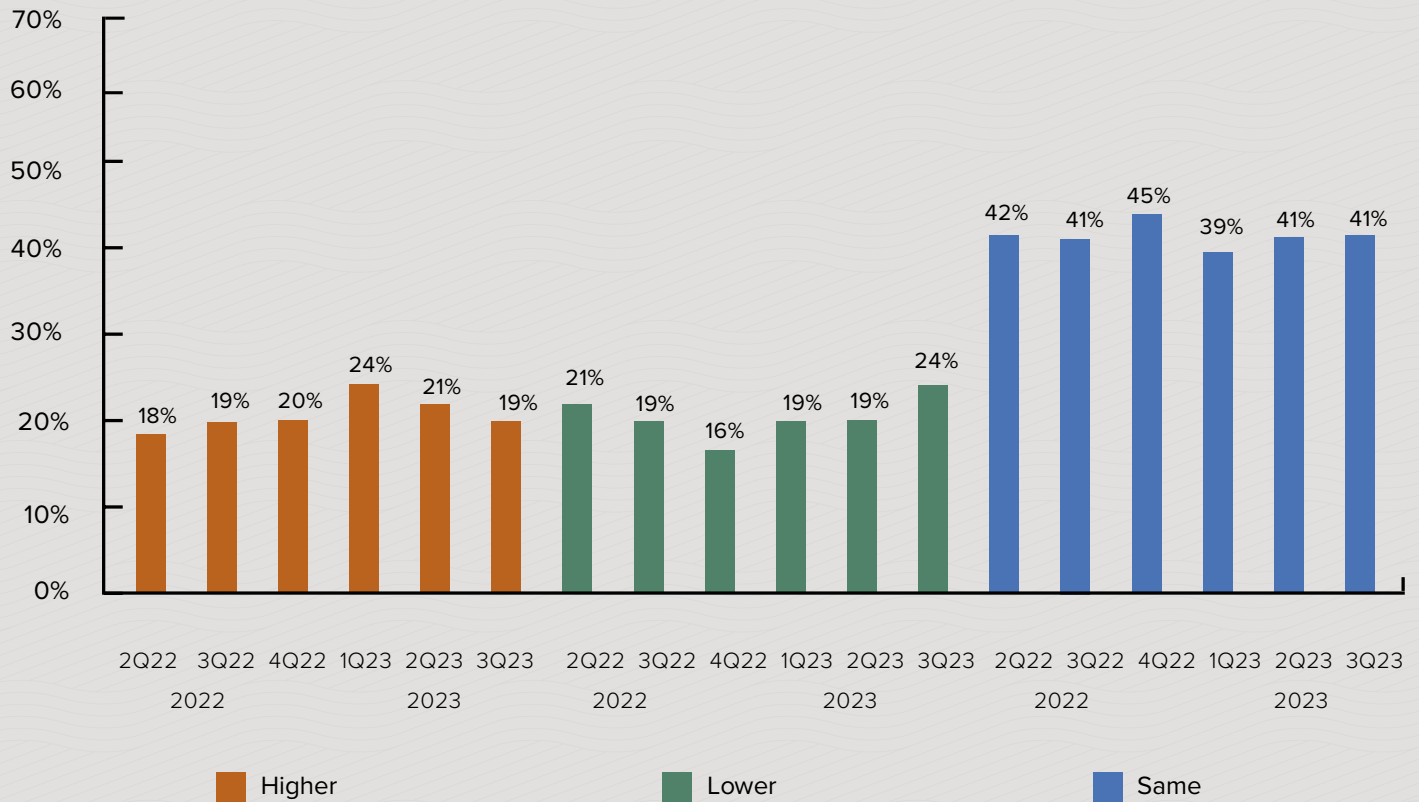
Do you expect any changes from last quarter to any of the following when it comes to your business?

2. Incoming New Business vs. Previous Quarter

Most of our commercial clients reported the same amount of new business relative to the previous quarter, but there is a noticeable erosion of those who see higher incoming business and an increase in those who are seeing less.

Count of Incoming New Business:

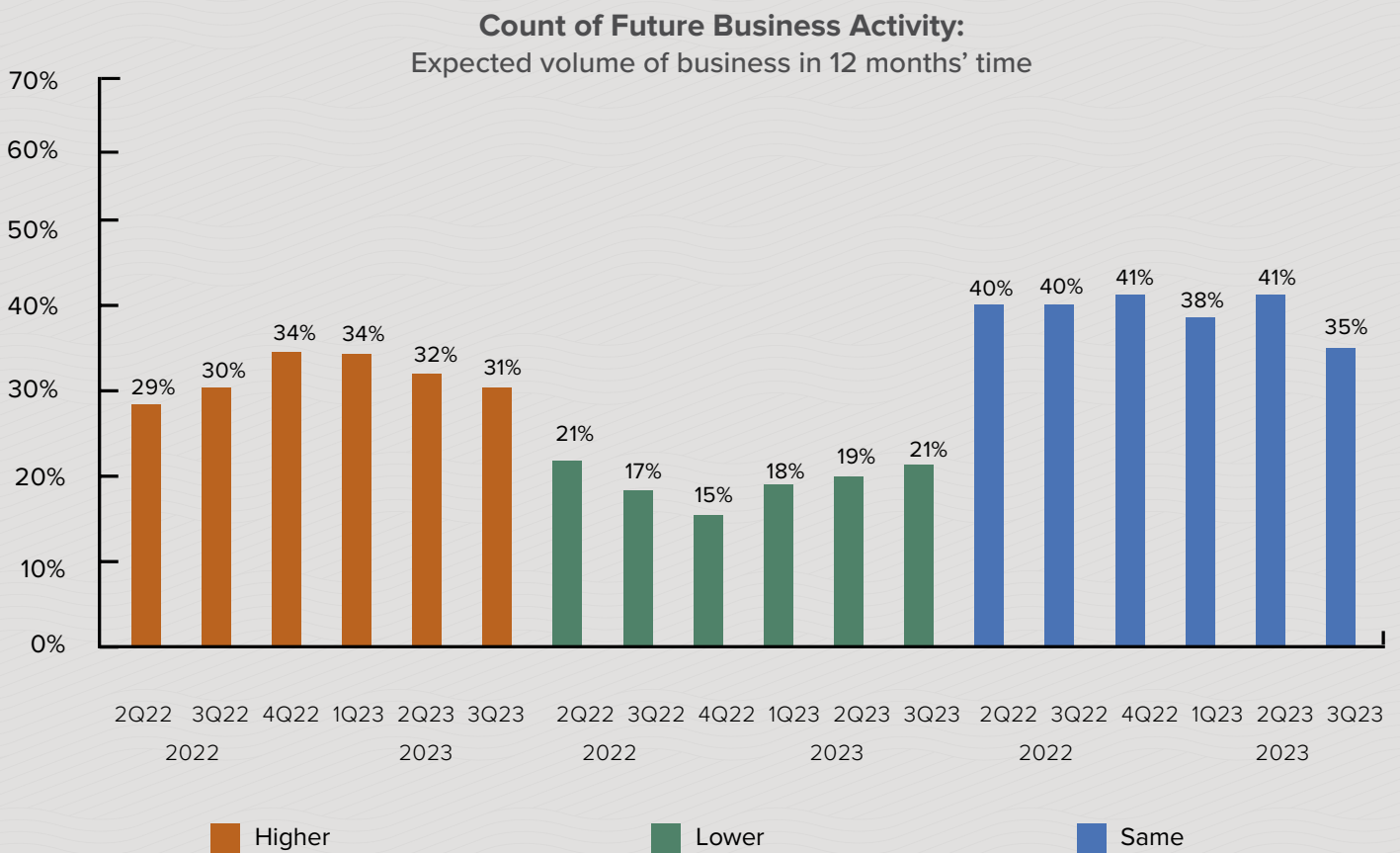
Total orders placed during the month, whether fulfilled or not



Do you expect any changes from last quarter to any of the following when it comes to your business?

3. Future Business Expectations One Year from Now

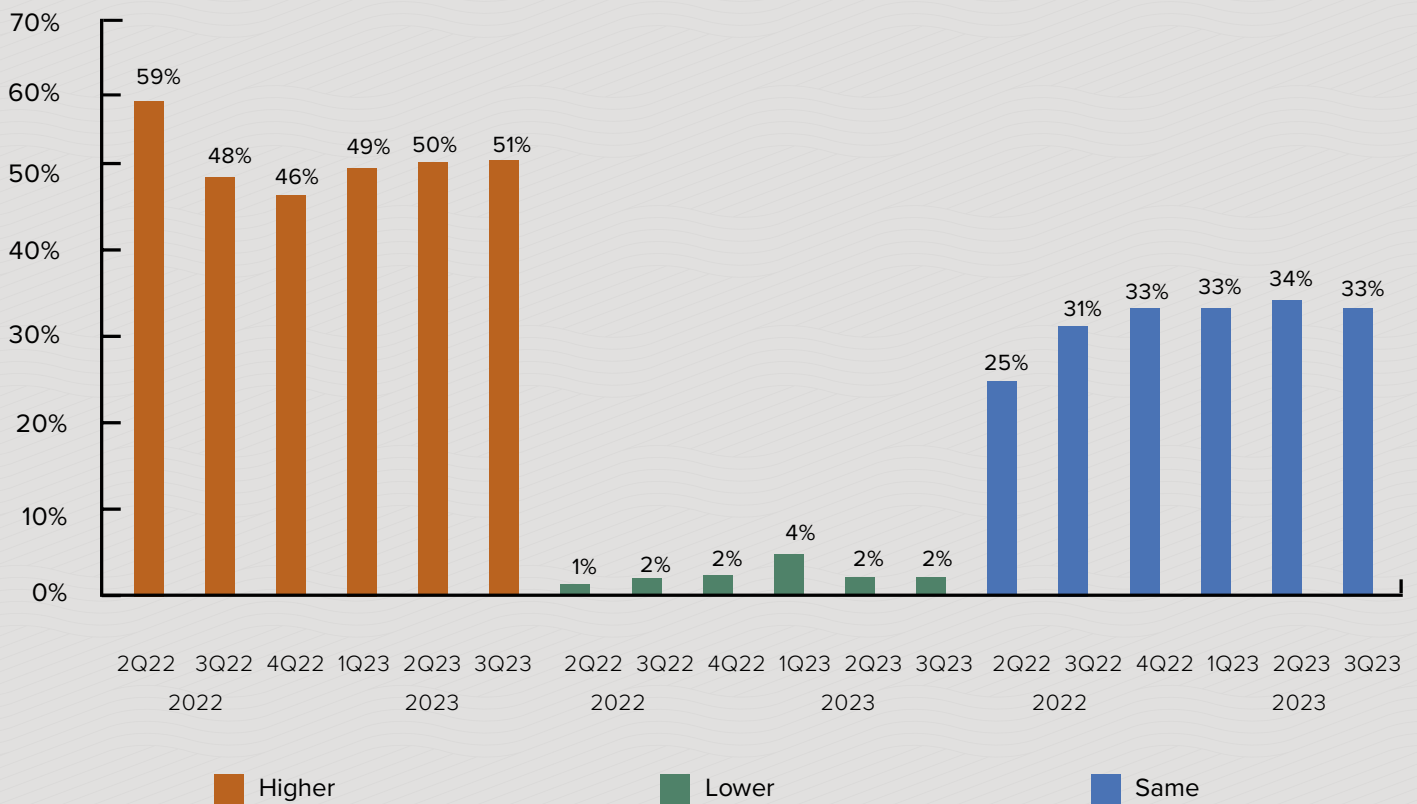
Compared to previous quarters, those who have higher expectations for future business declined to 31% in October. Most respondents (35%) indicated that they expect the same level of future business.



4. Input Prices vs. Previous Quarter

More commercial clients continue to report paying higher input costs quarter over quarter. In the commentary, many reported that inflation continues to drive input costs higher, though this is mainly related to physical input components, not labor.

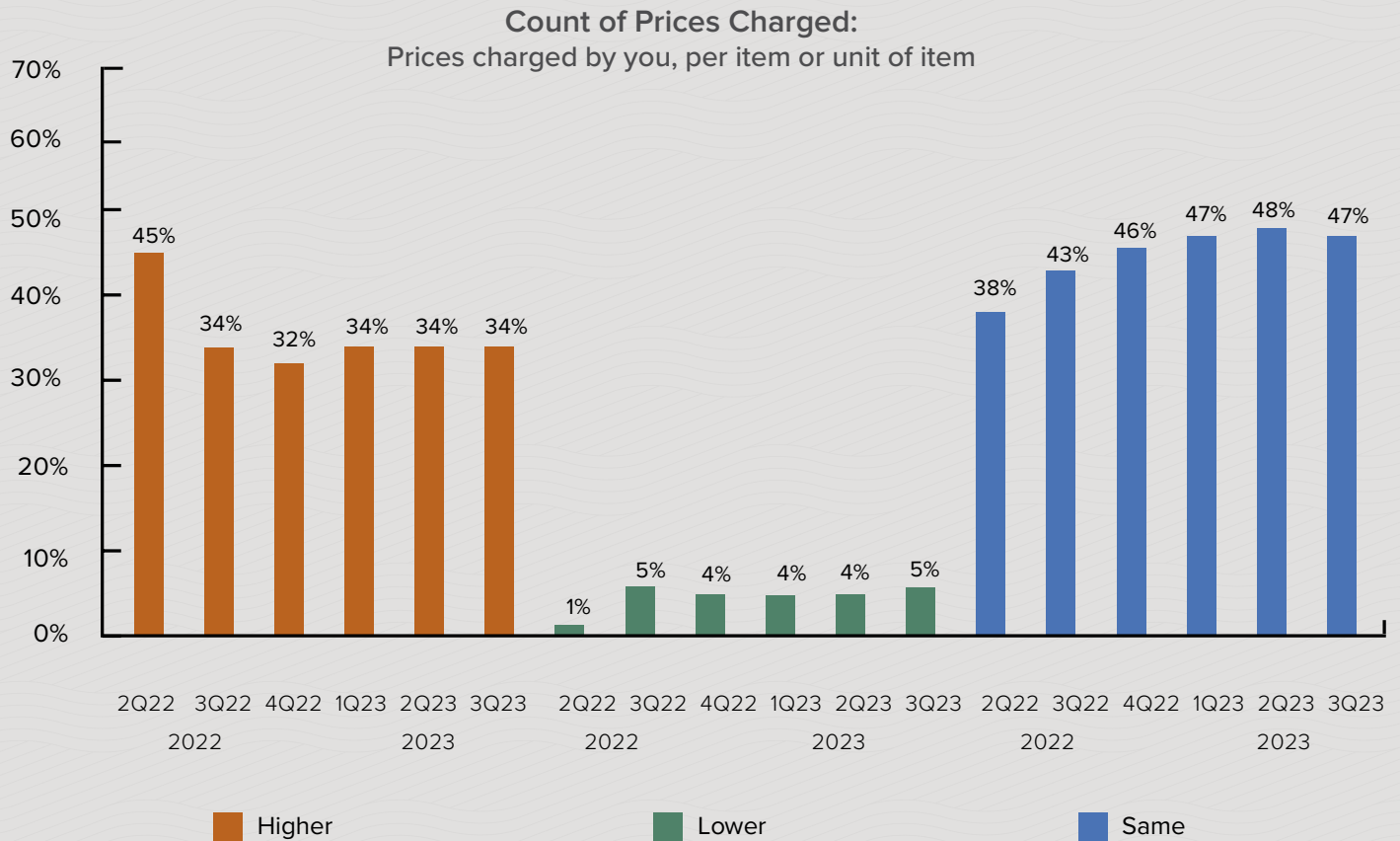
Count of Input Prices:
Average price paid for purchases, including wages and salaries



Do you expect changes to any of the following when it comes to your business?

5. Prices Charged vs. Previous Quarter

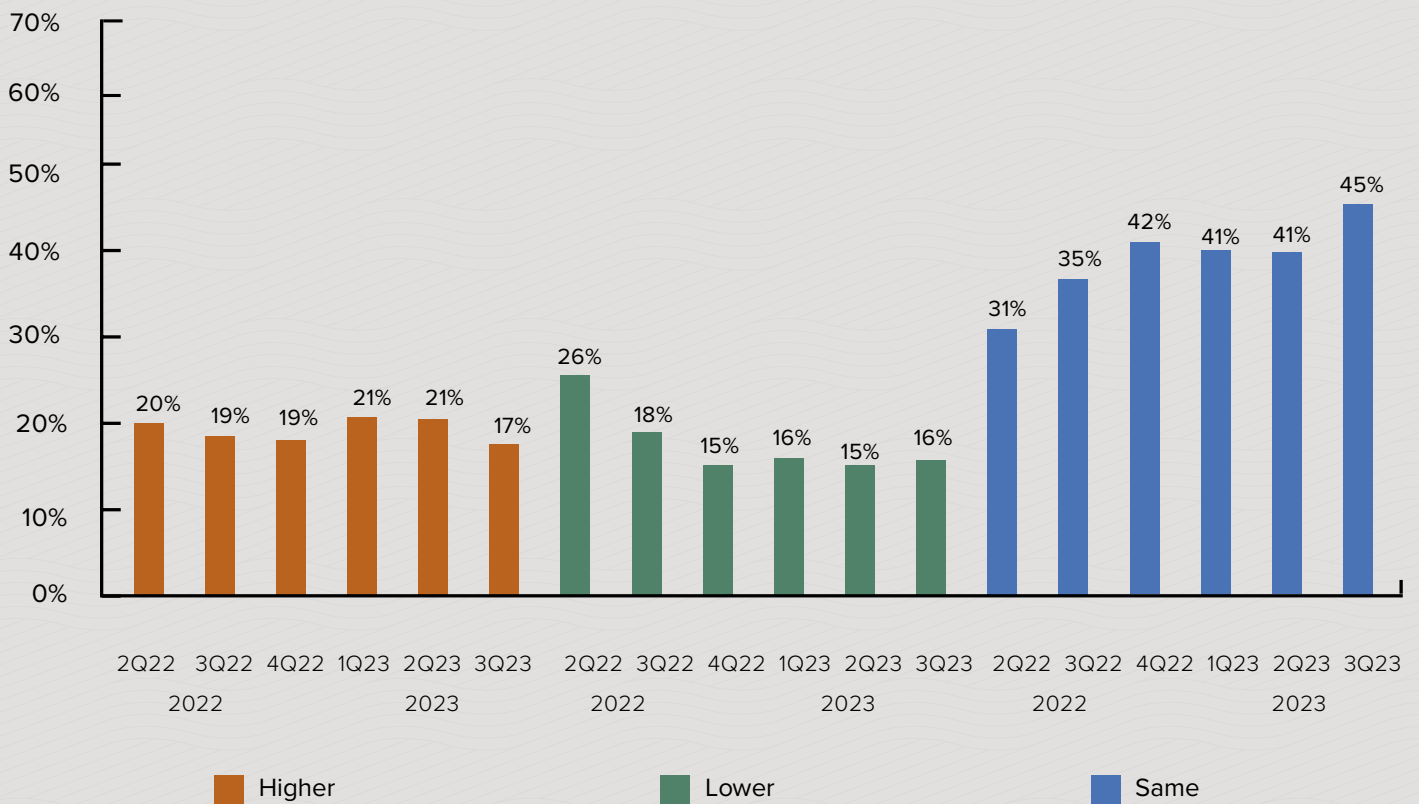
For the past three quarters, 34% of respondents reported charging higher prices. Forty-seven percent reported they haven't raised prices this quarter. As previously mentioned, 51% also reported paying higher prices for inputs. This is clear evidence of margin erosion, and the results show that some costs are not being passed along to our clients' customers. Client commentary indicates this is most acutely felt by businesses who don't serve upper-income segments.



6. Supplier Performance vs. Previous Quarter

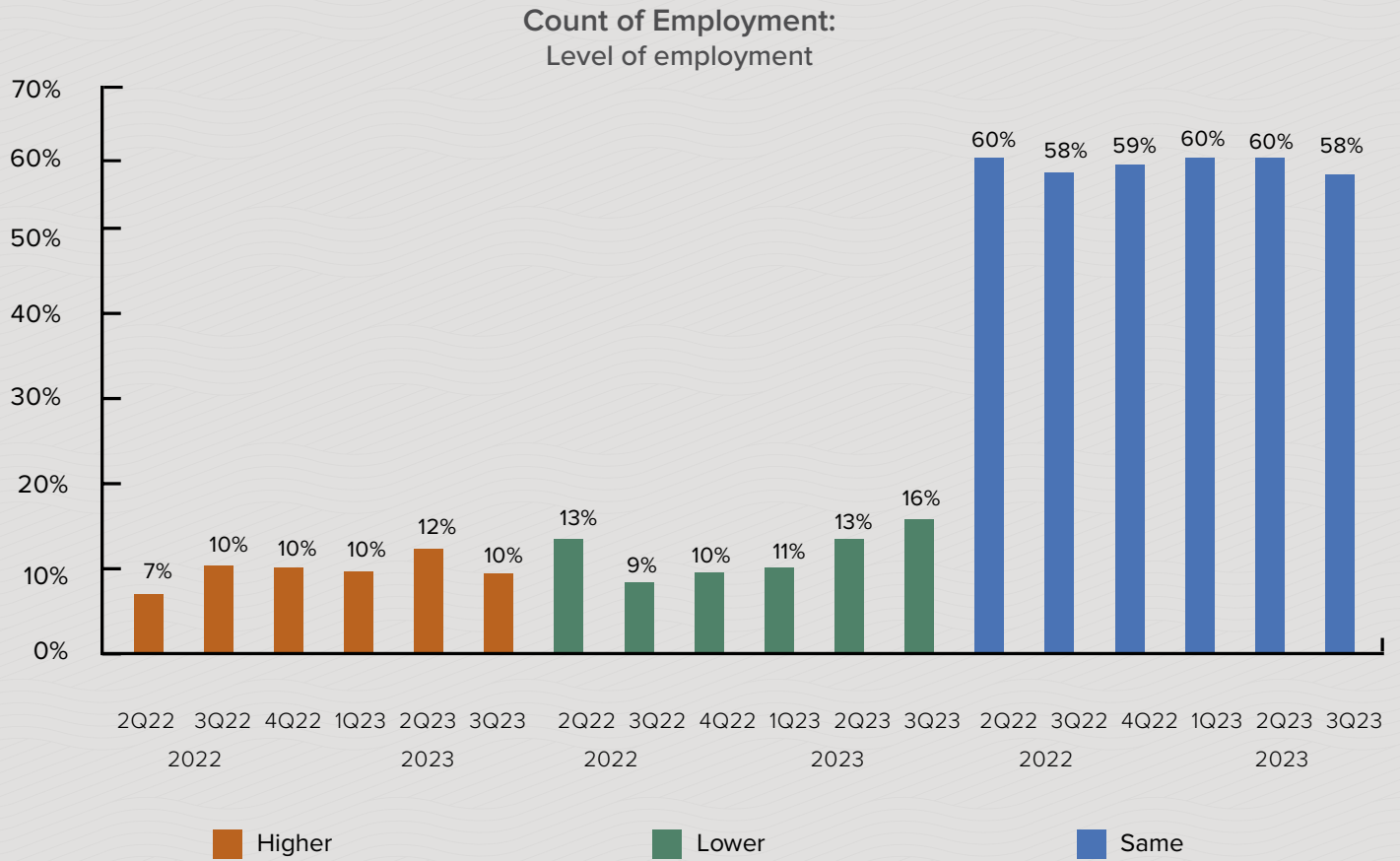
Responses were widely dispersed, with 45% reporting no change in supplier performance, 16% reporting lower performance, and 17% reporting higher performance. The rising percentage of those who chose “same” is indicative of increasing stability within supply chains.

For Brought-in Goods and Services:
How has the performance of your supplier(s) changed?



7. Level of Employment vs. Previous Quarter

Most of our commercial clients reported similar employment levels compared to the previous quarter. A small percentage (10%) reported higher levels and 16% reported lower levels. The last statistic is concerning as it is coming off a trough level (9%) in Q3 2022, indicating a real shift in sentiment over the past year.

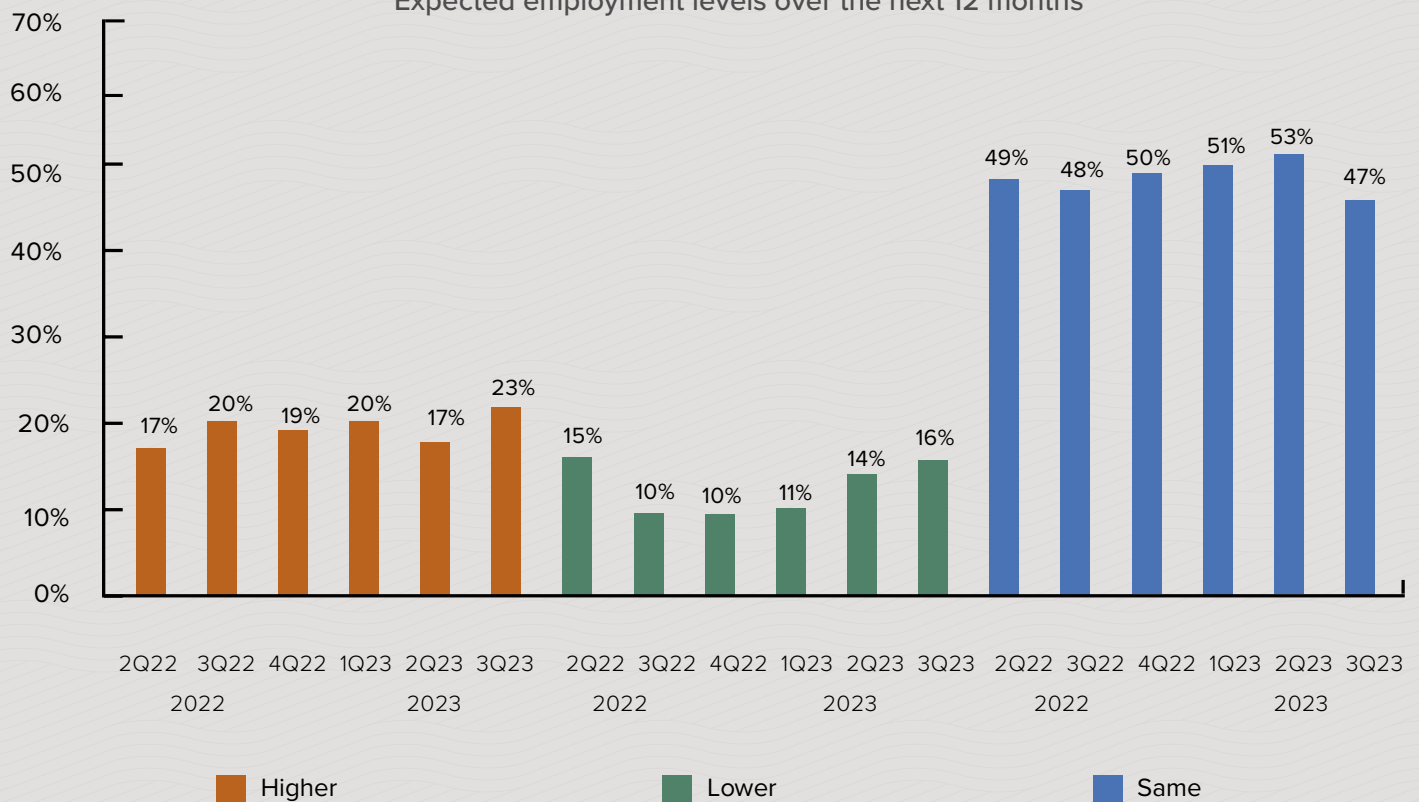


Do you expect changes to any of the following when it comes to your business?

8. Expected Employment Levels One Year from Now

Slightly less than half of the survey respondents (47%) reported that they expect to employ the same number of people in one year's time. Sixteen percent expect to have a lower headcount and 23% expect a higher headcount. What's interesting is that both the higher and lower employment outlooks rose this quarter which seems to indicate a bifurcation in sentiment. As previously mentioned, the industries most likely to boost employment are those associated with health and wealth.

Count of Future Employment Activity:
Expected employment levels over the next 12 months



Selected commercial client commentary on the state of their operations:

- **Airport Operations:** “Our sales backlog is at least five times higher than it has ever been. We have enough orders for the next two years.”
- **Physicians:** “The Southeast has a particular economic situation versus the rest of the country. We have a lower cost of living, important Port of Savannah, busiest airport, cheap land, and it’s inviting for business to migrate, becoming a new place for thousands of families.”
- **Financial Intermediation:** “We serve a wealthy clientele, and they are still spending money.”
- **Hair Salon:** “The prices of products have doubled. I didn’t increase prices. Also, I want to keep the clients I have, as well as attracting new clients. Everyone is looking for a great service at the price they can afford. I always think of what I would expect in difficult times like these and then do likewise for my clients. Therefore, it has allowed my salon to “stay relevant and increase clientele.”
- **Specialty Trade Contractors:** “Inflation is killing our small family business.”
- **Pest Control:** “Costs are up like crazy! Gasoline is too high! Interest is high! Labor high! Customers quit if we raise prices!”
- **Country Club:** “Expected membership growth of 10% in the upcoming year.”
- **Lawyers Offices:** “We see general economic conditions continuing to slow in the fourth quarter and first quarter of next year.”
- **Full-Service Restaurant:** “Vendor prices have increased. Quality of product received has decreased. Both these factors impact our business levels and prices.”
- **General Commentary:** “The economy is flat. Prices are up. Only our upper-income class customers are able to endure these increases. The average income class is hesitant or constantly shopping for the ‘best’ price.” ■

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