

# Nagel on Finances: Your Recession, Not Mine

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The recent banter on whether we will have a soft landing or a recession at all has been interesting to me. If you are the owner of a small business with more than a handful of employees, maybe you should be interested also.

Just maybe.

If you have lived in New Mexico more than 10 or 20 years, you know that what occurs in other parts of the country may or may not affect us here. Sometimes our isolation and the rural dominance of our state is a blessing.

We have a number of organizations who advocate for more private-sector employers as opposed to the public sector, that is, state and local governments. However, several economists recently have acknowledged that employment mix in New Mexico works to temper the volatility in the economic swings. Things are not as tough here in slow times as they are elsewhere. Even if recovery time may be a little slower.

To be sure, certain sectors of our economy may be vulnerable to national trends, like the technology and banking sectors.

But just maybe.

Why is that? As we continue to rebuild from the effects of the pandemic, job vacancies are being filled. We may see a tapering off in the pace of hiring, but it seems unlikely that widespread layoffs will occur in a predominantly small business economy. They need all the help they can get just to keep up with current demand.

Individual small businesses do not have large enough staffs that will affect the overall economy much. Natural attrition often occurs even for small businesses, but during a recession, vacancies get filled quicker.



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Are there larger employers that could flood the labor market with laid off employees? Maybe. But the business owners I talk with would be interviewing them for new positions quickly. Those people shouldn't be unemployed very long.

An economic slowdown has often been just the opportunity for small businesses to catch up. Restaffing with higher-caliber workers at the positions best suited for their skills and aptitudes can be improved.

The challenge small businesses are faced with today is risk assessment and the timing of expansionary investment. Is it time to begin your next expansion or improvement, expecting the workers will become available to fill new roles? Will demand stay strong if customers in other parts of the country are affected more than New Mexico by economic slowdown?

As we look to the future, it will be helpful to ask our customers what they think about their future. Will they buy more or less? Are they hiring or considering layoffs?

Is this the right time to ask your lender about refinancing or expanding borrowing capacity, just in case unexpected opportunities arise?

This may be your chance to invest and build for the future growth that follows an economic slowdown.

Remember, it's their recession, not yours.

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