

Banking & Financial Services

Liquidity is key for Tampa Bay businesses as recession concerns loom

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Tampa Bay's unemployment rate declined to 2.3% in April from 3.3% in January, according to the latest Bureau of Labor Statistics report.

Strong job growth in the region has fueled pent-up consumer spending, but Tampa Bay also suffers from the highest rate of inflation of any U.S. city, and the pinch of higher prices is eroding consumer sentiment.

Consumer sentiment in Florida deteriorated for a second consecutive month in May to the fourth-lowest level on record and only 2.7 points above the record low of 58.8 from June 2008, according to the University of Florida Bureau of Economic and Business Research.

"Business owners have really got to get back to the fundamentals," David Phelps, founder of Freedom Founders and a wealth management expert, told the Business Journal.

Liquidity is a key shield for weathering the economic storm and a drying up of credit as the Federal Reserve continues to increase interest rates, Phelps said. Chairman Jerome Powell announced a third interest rate hike this year earlier this month just days after the Bureau of Labor Statistics' latest report showed inflation unexpectedly accelerated in May to the highest level since 1981. An additional 75 basis point hike isn't off the table for next month's meeting, either.

Pandemic-era federal stimulus programs were a quick fix and "relief valve" for struggling businesses, and those that received government cash are in store for a difficult adjustment to current inflationary pressures and a looming recession, which Phelps described as "a flushing of excess."

Phelps raised concern with the fallout of federal stimulus cash that padded businesses' balance sheets during the pandemic.

"That starts to change behaviors," he said. Businesses that received government checks didn't scrutinize their profitability or margins as closely, or moved forward on ambitious expansion plans without regard to the underlying economy, he said.

Excess cash in the system from pandemic-era spending, whether for businesses that received Paycheck Protection Program funds or individuals who received a stimulus check, continues to drive consumer spending amid a general decline in sentiment. But consumers are shifting toward using debt for expenses. Average credit card balances increased for the second consecutive month, according to data from St. Petersburg-based PSCU's May Payments Index report.



David Phelps, founder of Freedom Founders and wealth management expert.
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Population migration to Tampa during the pandemic will help offset some of the pressures other regions will feel in a recessionary period, but that doesn't

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mean areas like Tampa Bay that experienced a business boom in recent years won't feel the impact of economic decline, according to Phelps.

Business owners and entrepreneurs have to adjust to get through this period of time and "realize that it won't last forever," Phelps said, "you just gotta get through it."


The Consumer Price Index in Tampa Bay climbed 2.1% between March and May to 11.3%, placing the region's inflation rate 2.7% higher than the national average, according to the Bureau of Labor Statistics. In addition to fuel prices, household utilities like electricity and natural gas, household furnishings, and transportation increased by wide margins over the last year. Transportation costs alone rose 22.6%, according to BLS data. The average hourly wage for all occupations in Tampa, however, is \$2.40 less than the national average, BLS data shows.

Consumer sentiment in Florida has been on a downward trajectory since July 2021, according to UF's BEBR.



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