

Mid-market companies hit by inflation woes, Marcum reports

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Around two-thirds of mid-market CEOs have been hit by rising costs due to inflation, and more than 40% now believe the US is in a long-term inflationary cycle that will require government intervention, according to a new survey from Marcum LLP and Hofstra University’s Frank G. Zarb School of Business.

Despite this, confidence in the current business outlook remains strong, with 41.7% of CEOs rating their outlook as an ‘8’ or higher, up slightly from the September survey.

However, Marcum warned that it is “clear” that supply chain problems and inflation are “making it increasingly difficult for mid-market companies to keep consumer prices low”.

Among the CEOs who said that rising costs are affecting their business, 42.6% said they are passing along some or all of those additional costs to their consumers.

Those CEOs cited cutting expenses (22.7%), postponing expansion plans (15.5%), and reducing staff or hiring (12.8%) among the ways they are addressing inflation.

In addition, about a quarter (23.2%) said they have absorbed rising costs, taking a “significant hit” to their profit margins and bottom lines.

Jeffrey M. Weiner, Marcum’s chairman and chief executive officer, said: “Middle-market companies are challenged to manage coalescing inflationary pressures and supply chain disruptions. Somewhat less than half of CEOs reported that they are passing increased costs on to their customers, while a majority are absorbing all or some of the impact.

"This is forcing companies to be highly strategic in how they are managing cash flow and sourcing materials and inventory, and there is very little if any margin for error. This speaks to the entrepreneurial drive of middle-market companies, but the situation is unsustainable in the long-term."

Marcum said it appears that inflation is a "more pressing concern" for mid-market companies than supply chain problems. While 67.6% of CEOs said their businesses were impacted by inflation, only 54.45% said that supply chain issues were affecting them.

K.G. Viswanathan, interim dean of the Zarb School, added: "Our latest survey shows that small and mid-sized companies are at a tipping point, as they juggle the challenges of supply chain problems, inflation and labor shortages.

"The survey results also bring into sharp relief the debate nationwide over what are the best next steps to address inflation, with CEOs nearly evenly split over the need for government action versus those who believe it is tied to supply chain issues and will pass."