



Recommendations for Small to Medium-Sized Businesses

Based on this analysis, here are actionable recommendations for SMBs:

Refinance Debt

Rationale: Borrowing costs are declining, with SMB rates dropping from 9.375% in 2024 to 8.875% in 2025 (per Chart 2). Refinancing high-interest debt could lower payments.

Example: For a \$100,000, 5-year loan, the monthly payment decreases from \$2,123 at 9.375% to \$2,083 at 8.875%, saving approximately \$476 annually.

Action: Review existing loans and consult lenders if current rates exceed 9%.

Invest in Growth

Rationale: Moderate GDP growth (2-2.5%) and low unemployment (4.2%) suggest stable consumer demand, supporting expansion opportunities.

Action: Consider investments like hiring staff or upgrading equipment, but scale them to confirmed demand to avoid overextension.

Manage Costs

Rationale: Inflation at 2.5% in 2025 may increase wages and input costs, squeezing margins.

Action: Enhance efficiency through process optimization or negotiate bulk discounts with suppliers to offset rising expenses.

Monitor Trade Policies

Rationale: Potential tariffs under new administration policies could affect import/export costs, though impacts are expected to be small.

Action: If involved in global trade, track policy announcements and diversify suppliers to mitigate risks.

Maintain Liquidity

Rationale: Uncertainties (e.g., trade policies, inflation persistence) warrant a financial buffer.

Action: Retain cash reserves equivalent to 3-6 months of operating expenses to navigate unforeseen challenges.