



The PPP Recession Strategy

Recession warnings are all around us. Just this week, consumer confidence plunged to a new frustrating low, brought on by continued high prices. To be clear, we are not in a recession—although I see signs cropping up all over: the tepid stock market, rising interest rates, cooling in the housing sector, and soaring gas prices. Even the price of copper, often viewed as a leading economic growth indicator, has dropped to a 16-month low. Plus, I see the bond market showing weakening investor appetite.

In these times, many of us look to respected experts for clarity and direction. You have likely seen the recession warnings and predictions from major money center banks this year. As a seasoned community bank leader, I am very interested in these opinions. However, my lending background also directs me to the opinions of entrepreneurs, a fascinating mindset that has fueled growth and expansion in all parts of Texas. I have particular interest in global entrepreneurs in the fields of energy and new technology. Which leads me to the PPP recession strategy of Elon Musk, a firm believer that a recession is inevitable.

If PPP sounds a little familiar, the pandemic Paycheck Protection Program kept all of us hopping here at Anahuac National Bank over the past two years in support of our business community. But this is not that PPP, this is Elon Musk's take on how to weather the recession storm and come out unharmed on the other side. Let me explain. Predict, prepare, and persevere.

Predict: Always stay multiple moves ahead. With recession as a part of market cycles, we are all certain to experience one at some point. When you see the signs I've mentioned of rising inflation, labor shortages, and a downward stock market, pay attention. Musk points out that Uber successfully looked ahead to fulfill an unmet need and build their business. Netflix foresaw the weakness of Blockbuster and pretty much killed it off. Think in terms of what will be rather than what is, where are we headed.

Prepare: Get ready for what is ahead. Knowing what you are up against is only half the battle. Using what you know to prepare for the future is ideal. Musk operates as if those future concerns are already happening. He recommends holding off on big risks, cutting back on spending, reducing overhead, and avoiding high-interest debt. This may sound familiar since it is a great deal like my advice in several previous articles.

Persevere: Get ahead. Businesses survive not just by the correct reaction to conditions, but by good planning and execution. This is how to persevere, don't stop or slow down, repeat the PPP strategy to stay ahead or get even further ahead. In your business plan or in your personal financial goals, keep reaching for the future.

If you start operating your business or personal finances as if a recession is already here, you will not feel the effects nearly as deeply when the recession officially hits. This is a lesson for businesses and families, keep risk out of your planning. In other words, if you don't have the funds, don't make the purchase. If emergency savings are low, make plans to shore them up. Cut corners (and luxuries) in your budget to keep expenses low. Musk advocates using time to prevent problems, not spending time and stress fixing them, and I could not agree more. Let us know your concerns and use Anahuac National Bank as a resource. We always appreciate your business.

