



Staten Island Advance

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Staten Island's small businesses bracing for an uncertain future

By FRANK DONNELLY

STATEN ISLAND, N.Y. — Banks were reeling at the height of the financial crisis three years ago and Boris Natenzon couldn't get a loan to expand his business, Nate's Pharmacy, on Forest Avenue.

So Natenzon saved every penny he could until he finally had enough cash to add onto his shop at the corner of Broadway in West Brighton.

But Natenzon knows he's more the exception than the rule. And he worries that Standard & Poor's controversial downgrade of the U.S. government's credit rating will hurt mom-and-pop operations like his around Staten Island.

"When people are worried [about the economy] they're less likely to shop," Natenzon said. "The little guys like us have our money in our pocket, and if we can't go [into our pocket] or get a loan, we're in trouble."

Just over a week ago, S&P, one of three major credit-rating agencies for institutions and governments, reduced the U.S. government's credit rating from AAA to AA+. Citing the ideological divide between the Democratic and Republican parties, the agency said its confidence had eroded in politicians' ability to manage the country's finances.

The two other rating agencies, Moody's and Fitch, have not dropped the government's rating.

Experts say borough residents can expect to see higher long-term interest rates as a result of the downgrade. The increase will make it harder for cash-strapped potential home buyers to secure mortgages.

And if interest rates rise, home prices will drop, said Dr. Vipul Bansal, chairman of the Economics and Finance Departments at St. John's University.

Small businesses will feel the pinch immediately, experts say.

Banks are already squeamish about loaning to businesses in a dicey economy. They'll become even more wary if interest rates spike.

"It's not going to bode well for them in the short term," said Dean Balsamini Sr., director of the Small Business Development Center at the College of Staten Island (CSI) in Willowbrook. "I think you're going to see a lot of small-business people being very reluctant to be involved in any sort of capital infusion" whether it be to start or expand a business.

Beyond loan-rate increases, experts are divided over how the rating downgrade will impact Staten Island consumers.

Dr. Bansal said credit-card rates likely won't be affected.

"Those rates are pretty high as it is," he said.

And the lower rating probably won't change consumer spending and hiring, said Dr. Bansal.

Others aren't so sure.

"It increases volatility in the market," said Dr. Mary Rose Leacy, Economics Department Chair at Wagner College, Grymes Hill.

She said now-stagnant wages likely will remain flat, if not result in employee give-backs. The unemployment rate will stay stalled between 9 and 10 percent for “some time,” Dr. Leacy predicted.

“Until we solve the problem of the housing market and financial stimulus, we’re going to have a double-dip” — another recession — she cautioned, adding she believes S&P made a mistake in its determination.

S&P stood by its rating even after admitting it had made a \$2 trillion miscalculation.

“This is a statement of concern about the U.S. Government,” said Jonathan Peters, professor of finance at CSI. “It’s a statement about the confidence in the system and the confidence in the system is down. It’s definitely about the fact that [politicians] can’t get their act together.”

“I think that we have to be concerned,” Peters added. “It’s something we don’t want as an ongoing problem. It does increase the uncertainty of the economy.”

That financial foggy could give potential home buyers and entrepreneurs pause when considering whether to purchase a new home, start a company, upgrade their businesses or hire more workers. And investors in U.S. government debt may ask for a higher interest rate.

As the stock market roller-coastered last week, Richmond-based financial planners Solomon Chemo and his partner, Eugene H. Pak, counseled investors to keep their heads.

“We’re here to make sure they don’t panic and don’t make emotional decisions,” said Pak of The Richmond Group Wealth Advisors, Wells Fargo Advisors Financial Network. “Most clients want to know the world isn’t falling apart. ... You learn to expect the unexpected.”

Chemo said their job is keep customers focused on their investment and retirement goals while navigating the “bumps and grinds down the road,” including last week’s wild ride.

“Every portfolio is different,” said Chemo, who also is chairman of the Staten Island Chamber of Commerce’s board of directors. “Our challenge is to look at short-term swings and see how they affect the client’s objectives long term..”

In the meantime, some small businesses here are bracing for the impact.

Bart Cincotta opened The Square, a West Brighton sandwich shop three months ago. Business, while still strong, has recently dipped a bit.

“It has been a little tight on us the last month or so,” said Cincotta. “Right now, we’re in good shape, but we’re like a luxury” for some customers.

Still, Cincotta said the prospect of higher loan rates makes him glad he’s already begun establishing himself.

“There’s a lot of things you have to worry about,” he said. “It’s not the greatest of times for any business.”