

Startups already crippled by tech recession will struggle to find support post-SVB

Article

The trend: Silicon Valley Bank's (SVB) collapse has shaken the startup ecosystem.

- The bank's **40,000** customers are mostly tech companies, including about half of US startups, per [Wired](#).
- Some startups are seeking to [open accounts at multiple banks](#) including major ones like **JPMorgan Chase** and **Bank of America**.
- As the FDIC seeks a buyer for SVB, startups are left without an institution with a long track record of [providing low-cost financing to young companies](#) and demonstrating forgiving policies to struggling ones.

Our poorly steered economy: The tech industry is bearing the brunt of consequences of federal monetary policy, including banking deregulation under the Trump administration and the Fed's ongoing interest rate hikes that made conditions ripe for SVB's collapse.

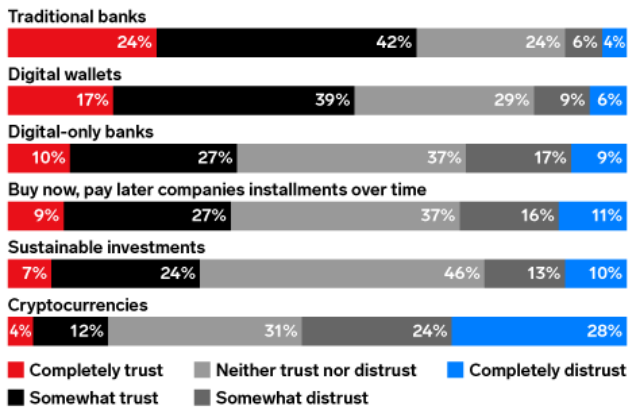
- Just last week, the [Fed considered increasing the pace of rate hikes](#).
- **The bullish hikes do little to address the underlying causes of high inflation**, including corporate price gouging, supply chain disruptions, the war in Ukraine, and climate change.
- In light of the SVB collapse and inflation cooling slightly in February, **the Fed is now pausing rate hikes**, which should alleviate some fallout for the tech industry.

Startups under duress: The SVB failure is another blow to startups that were already facing difficult fundraising conditions, with many [resorting to layoffs](#).

- In 2022, startups globally raised **35%** less than they did the previous year, per [Crunchbase](#).
- US regulators have assured SVB depositors that they'll have access to their cash, but **SVB's role in the startup community could be difficult to replicate**.
- Despite the Fed's interest rate hike pause, there's **no guarantee that it won't resume its course after assessing the financial sector's stability**.
- We can expect **reduced startup creation, more budget cuts, and higher risk of startup failures until SVB's shoes are filled**.

Level of Trust in Select Financial Services According to Adults Worldwide, Dec 2021

% of respondents



Note: numbers may not add up to 100% due to rounding
Source: YouGov, "The Future of Financial Services: A Global Exploration of Evolving Trends in the Financial Services Industry," March 30, 2022

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