

Small Business Trends

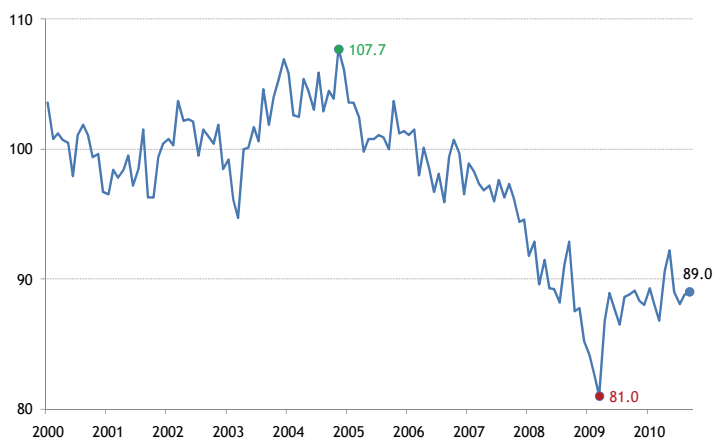
Policy & Supervisory Studies

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Small Business Optimism

- The Small Business Optimism Index was virtually even with prior-month levels. Apart from a brief, modest spike earlier this year, the index has displayed little upward momentum since the middle of 2009.
- This scant improvement in optimism is reflected by continued limited employment growth. Goods-producing employment at both small and medium-sized organizations continues to fall on both a month-to-month and year-over-year basis. Service-producing employment has seen mixed performance.

Small Business Optimism Index (SA, 1986=100)

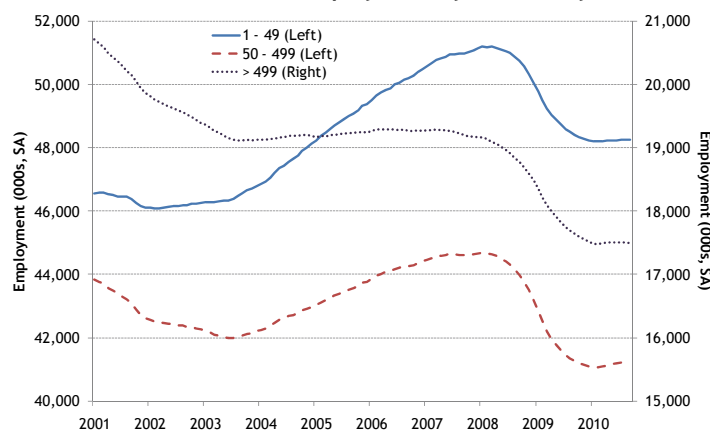


September 2010 Employment Trends

	Level (000s, SA)	Share of sector	Growth (%)	
			M-t-M	Y-o-Y
Goods-producing	17,442	100%	-0.26%	-3.0%
Firm size				
1-49	6,358	36%	-0.31%	-4.3%
50-499	7,645	44%	-0.16%	-1.9%
> 499	3,439	20%	-0.38%	-3.1%
Service-producing	89,507	100%	0.01%	0.3%
Firm size				
1-49	41,891	47%	0.01%	0.4%
50-499	33,560	37%	-0.01%	0.3%
> 499	14,056	16%	0.01%	-0.2%

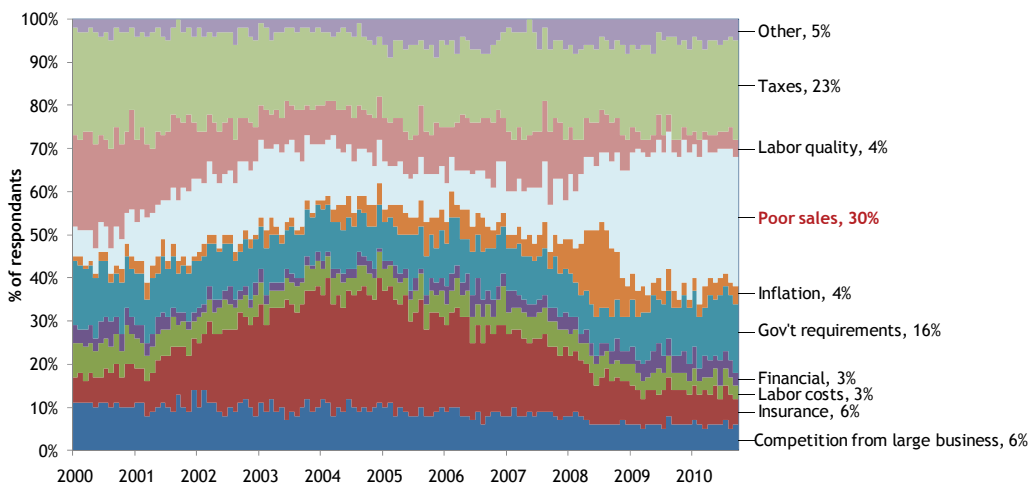
Source: ADP National Employment Report

U.S. Private Sector Employment by Size of Payroll



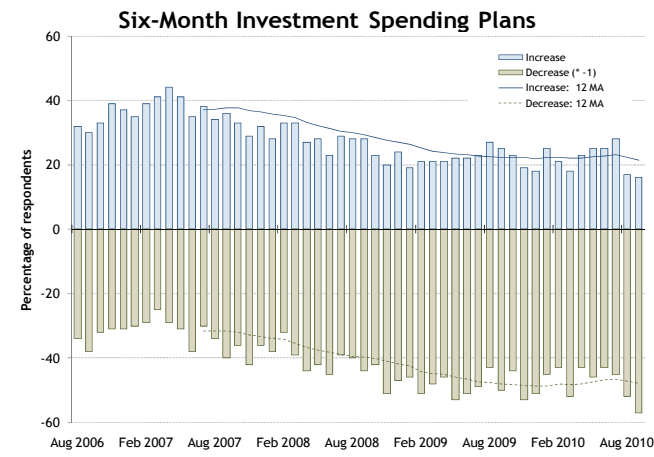
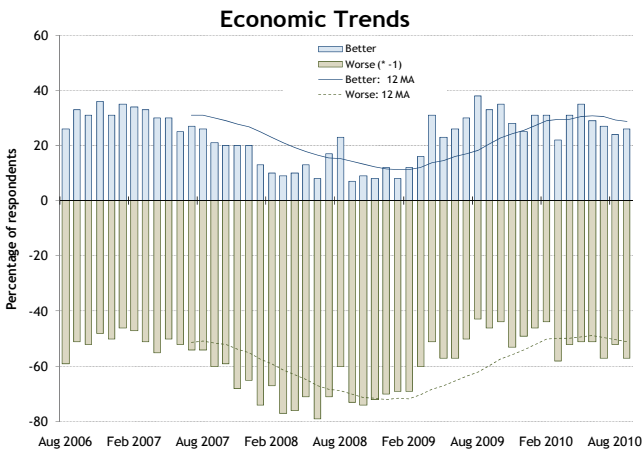
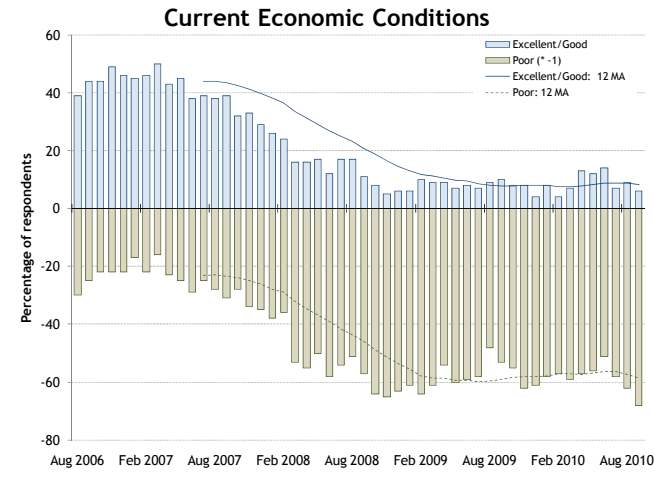
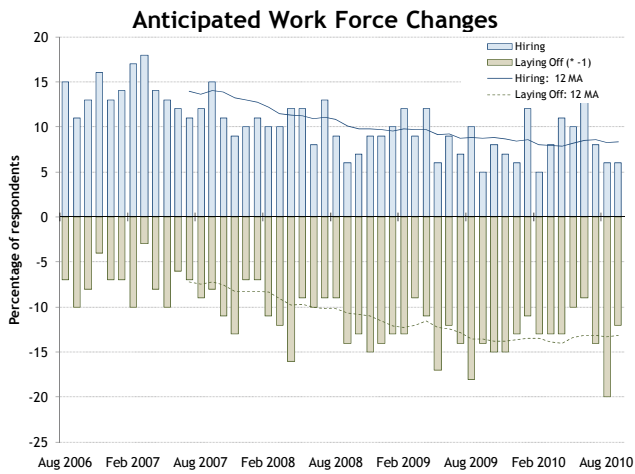
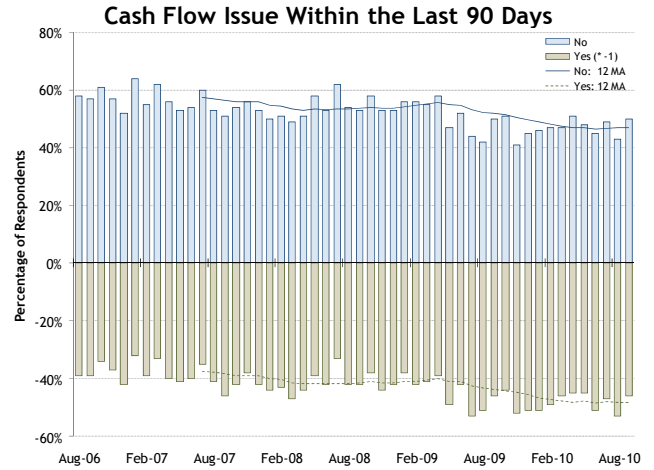
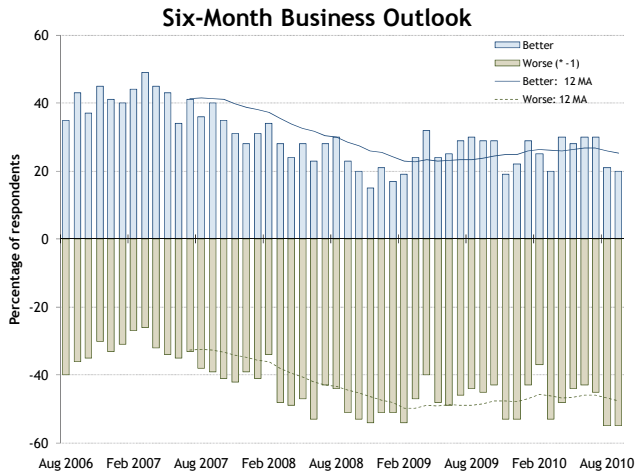
- Poor sales remain the dominant concern for small businesses. However, the share of small businesses citing government requirements as their primary issue, although still comparatively low, has more than doubled since late 2008.

Single-most Important Problem for Small Business



Small Business Sentiment: Reinforced Negative Perceptions

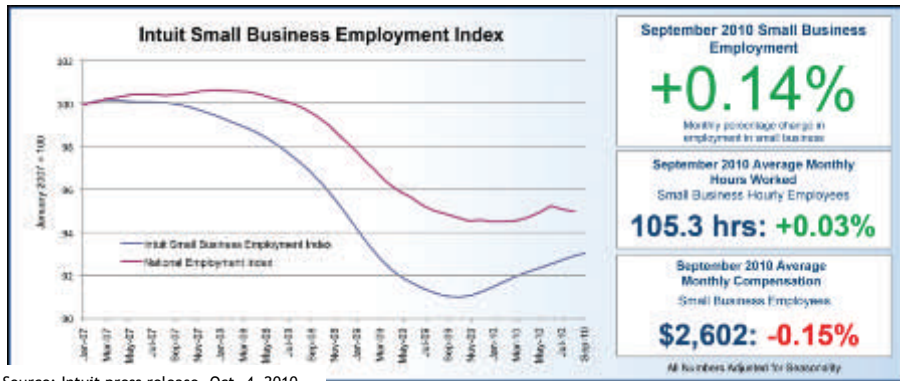
- The most recent Discover Business Watch survey suggests that the small business assessment of current economic conditions continues to fall. Over two-thirds of the respondents viewed current conditions as “poor,” surpassing the previous peak in late 2008. Over half of the respondents expected further worsening of economic conditions over the next six months. Reflecting uncertainty regarding the economic outlook, an increasing share of small businesses have indicated plans to decrease investment spending over the next six months.
- On a positive note, however, the spike in layoff expectations that occurred back in August failed to repeat itself in the September survey.



Source: Data from Rasmussen Reports LLC/Discover Small Business Watch mid-month surveys

Small Business Trends at Firms with Fewer Than 20 Employees

- According to Intuit, employment at the smallest firms (20 workers or fewer) bottomed out in the fourth quarter of 2009 and has since posted modest job gains at rates surpassing the national average. In fact, the National Employment Index has retreated slightly in recent months while small business employment levels have continued to increase.

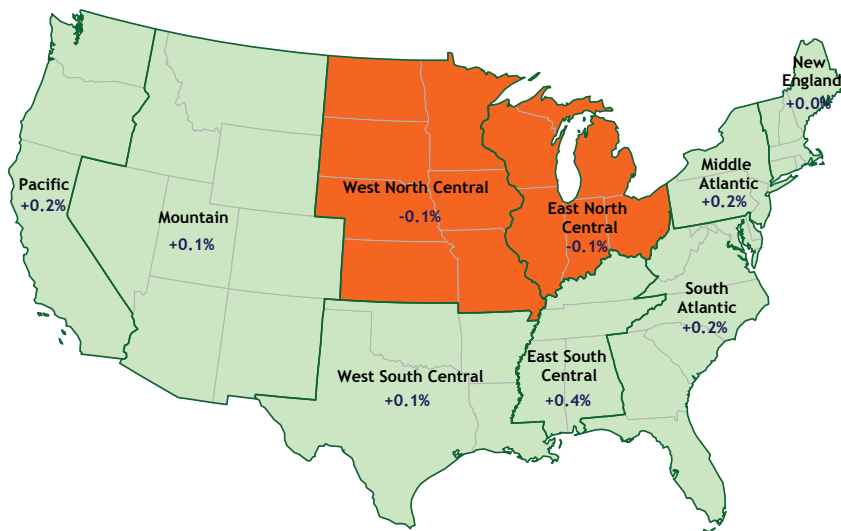


- Despite continued employment gains, wage growth among employees covered by the survey has remained stagnant. In fact, according to the most recent survey, monthly compensation actually posted modest declines.

- Regionally, small business employment remained elusive in the Midwest and Northern Plains states.

- Among the larger states, New York enjoyed the highest percentage of employment growth in September, at 0.8 percent, followed by North Carolina and Virginia, at 0.5 percent. Florida and Georgia saw respective month-to-month increases in September of 0.2 percent and 0.3 percent. New Jersey, followed by Illinois, continued to see contracting payrolls.

Monthly Small Business Employment Growth (September 2010)



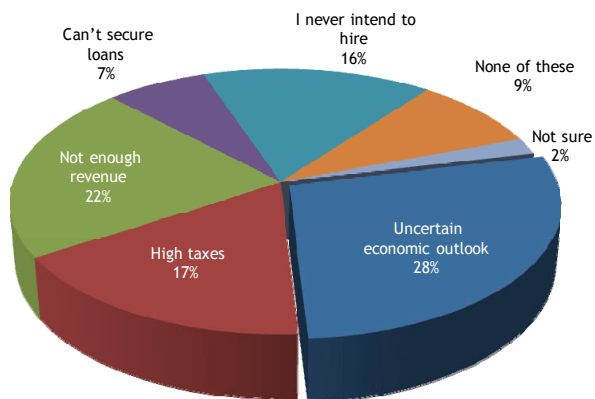
Impediments to Job Growth

- As indicated by the ADP Employment Report, although stabilizing, small business employment levels have posted only modest gains since the beginning of the year. The latest Discover Business Watch survey suggests that the biggest obstacle to hiring in the current economic environment is the uncertain economic outlook, followed by lack of revenue and tax burdens. Only 7 percent of those surveyed indicated that they were not hiring because of an inability to obtain financing.

- Respondents remained almost evenly split as to whether the proposed tax breaks from federal stimulus efforts would result in greater job creation by small businesses.

- Improved levels of small business hiring have historically been critical to overall economic growth. According to the Small Business Administration, small businesses accounted for 64 percent of the job growth over the past 15 years.

What Is the Biggest Obstacle to Hiring New Workers?

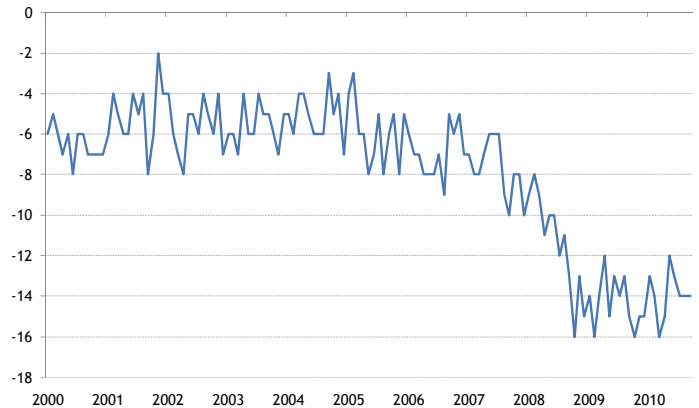


Source: Discover Business Watch/Rasmussen LLC

Small Business Credit Conditions

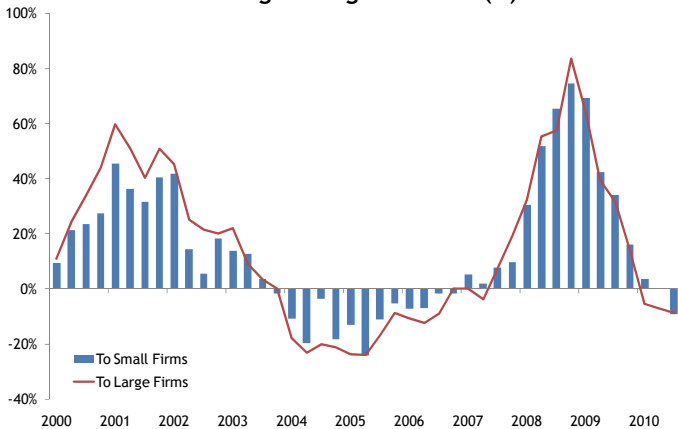
- Reflecting the fact that reported and planned capital expenditures are at 35-year lows, only one-third of small businesses reported borrowing on a regular basis, according to the National Federation of Independent Business. A net 14 percent of firms seeking credit reported that loans were more difficult to obtain than during prior attempts to get credit. Looking forward, more businesses expect that credit conditions will worsen from current conditions.
- According to the most recent Senior Loan Officer Opinion Survey, banks have reported some net weakening in underwriting requirements for commercial and industrial loans. Moreover, they are seeing some moderation in the lack of demand from small firms for commercial and industrial loans.
- In the most recent Discover Business Watch Survey, only 20 percent of respondents indicated that they would need a loan to grow their businesses. Of those needing a loan, the largest percentage would require financing of only \$25,000 or less in order to grow their businesses.

Percent Expecting Credit Conditions to Ease, Net (SA, %)



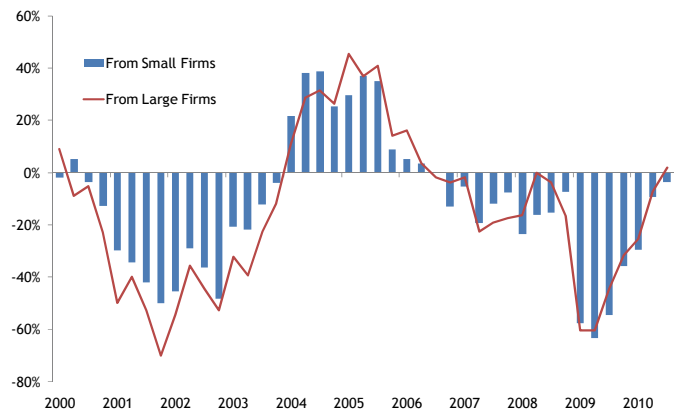
Source: National Federation of Independent Business

Banks Tightening C&I Loans (%)



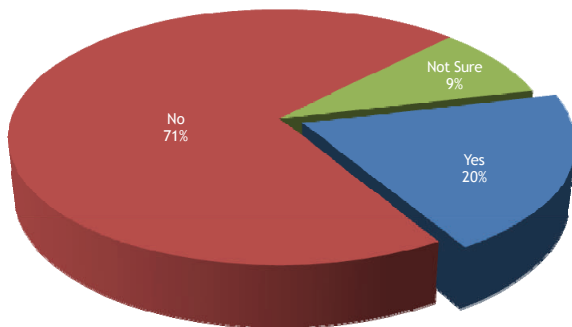
Source: Senior Loan Officer Opinion Survey/Federal Reserve Board

Banks Reporting Stronger Demand for C&I Loans (%)



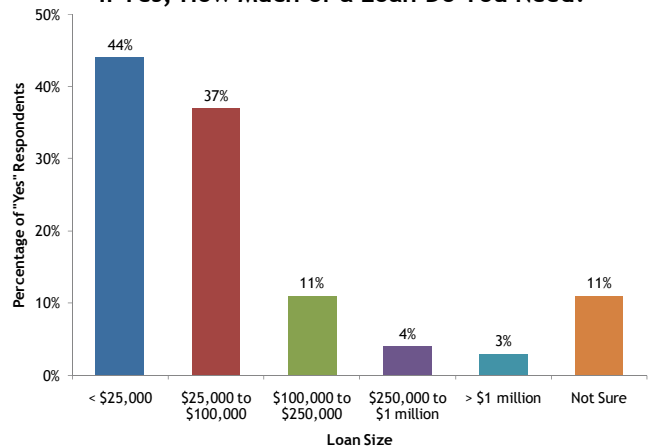
Source: Senior Loan Officer Opinion Survey/Federal Reserve Board

Do You Need a Loan to Grow Your Business?



Source: Discover Business Watch/Rasmussen LLC

If Yes, How Much of a Loan Do You Need?



Note: Survey allowed for multiple responses.
Source: Discover Business Watch/Rasmussen LLC