

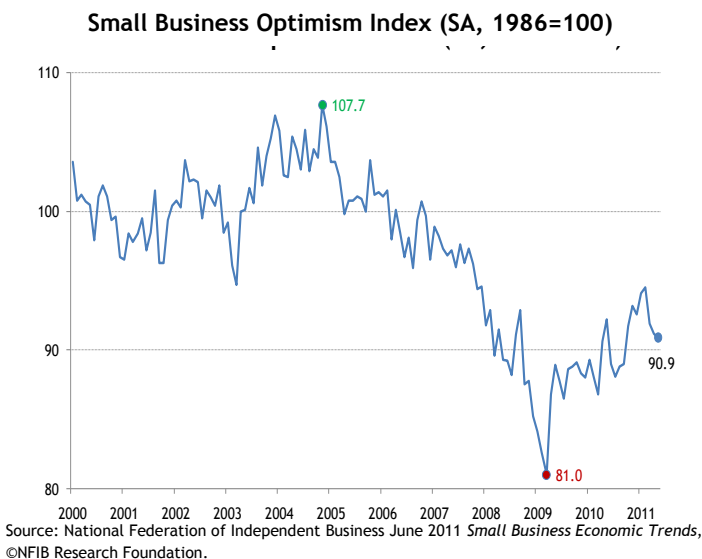
Small Business Trends

Policy & Supervisory Studies

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Small Business Optimism

- The small business sector showed some improvement in early 2011 but is now beginning to show some signs of softness. Falling for the third consecutive month and down 1.3 points year-over-year, the NFIB Small Business Optimism Index slid 0.3 points to 90.9 in May. Although the decrease this month was slight and the actual point drops have gradually dwindled month-over-month since March, this decrease marked the first year-over-year decrease observed since September 2009. With the Index continuing to move in the wrong direction, Bill Dunkelberg, NFIB chief economist, said this is “a recession-level reading for an economy fighting its way through a recovery.” Once again, lingering economic uncertainty continued to adversely affect overall small business sentiment. While positive trends were seen in selling prices (but not nominal/real sales and projections), deteriorating job market indicators and capital spending plans, along with rising expectations for inflation, continued to weigh heavily on small business owners.
- After peaking in December of last year, employment growth continued to ease for the third consecutive month, experiencing the smallest increase since September of last year. Though positive month over month, the actual numbers posted for May were disappointing after the preceding months’ figures.

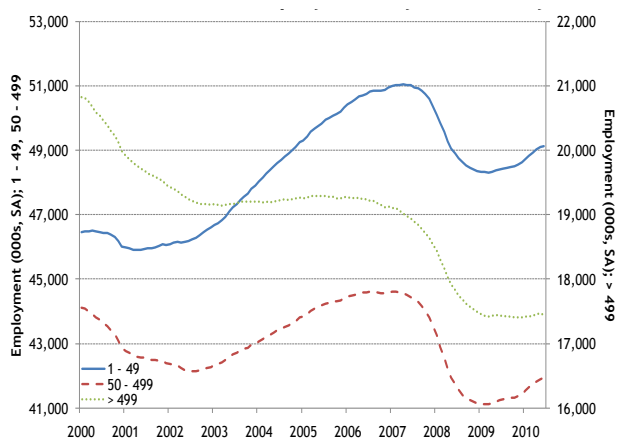


May 2011 Employment Trends

		Level (000s, SA)	Share of sector	Growth M-t-M Y-o-Y	
Goods-producing		17,802	100%	-0.06%	0.5%
Firm size	1-49	6,633	37%	0.03%	0.1%
	50-499	7,758	44%	0.09%	1.7%
	> 499	3,411	19%	-0.55%	-1.4%
Service-producing		90,704	100%	0.05%	1.5%
Firm size	1-49	42,495	47%	0.06%	1.7%
	50-499	34,174	38%	0.07%	1.7%
	> 499	14,035	15%	0.00%	0.4%

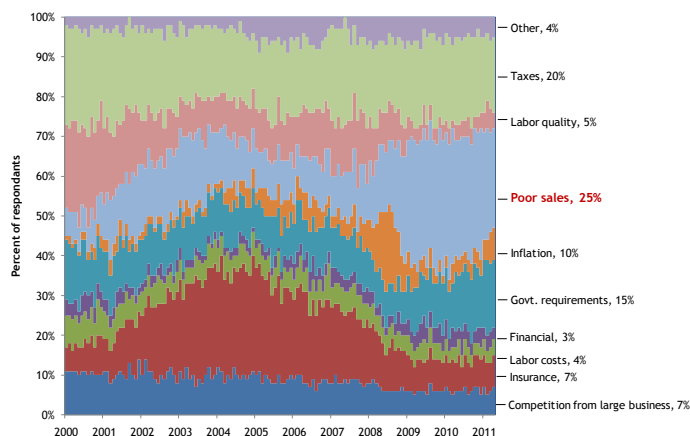
Source: Based on information in the May 2011 *ADP National Employment Report*®

U.S. Private Sector Employment by Size of Payroll



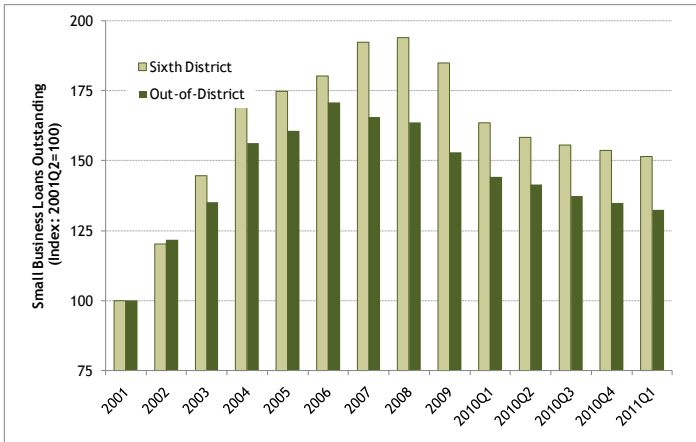
Just as in April, poor sales was still the most frequently cited problem for 25 percent of all small business owners. One in ten also cited growing concerns about inflation.

Single-most Important Problem for Small Business



Sixth District Sentiment

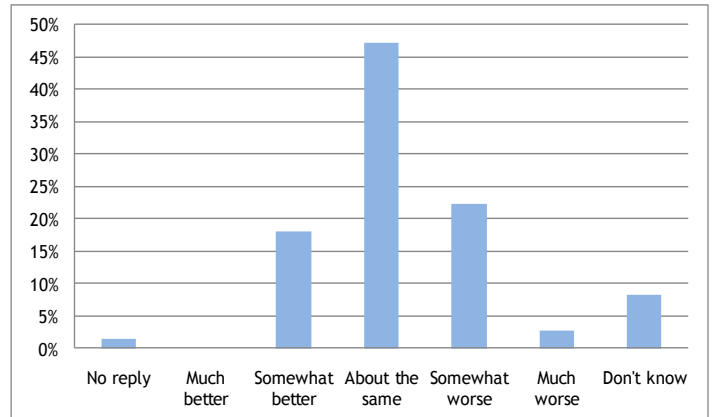
Small Business Lending



Note: 2001-9 data are for the second quarter.

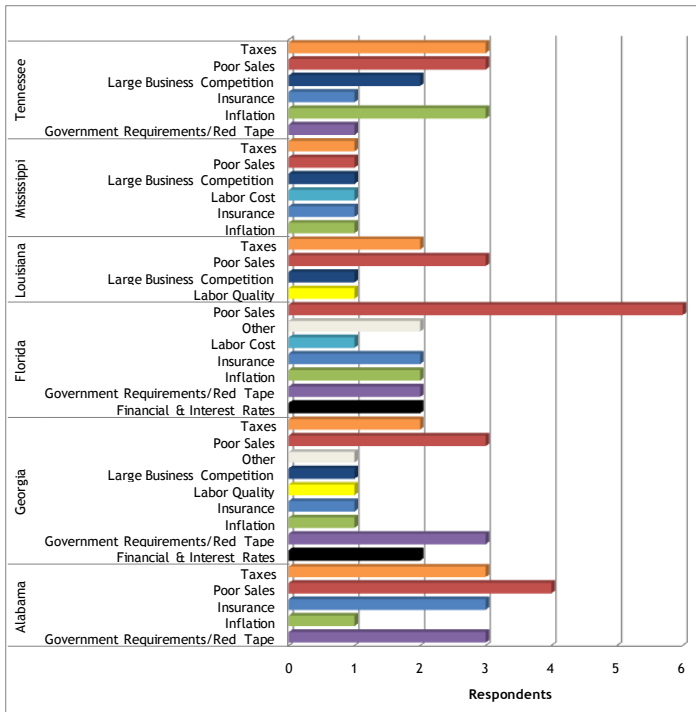
Source: Bank call reports (includes commercial banks with assets greater than \$10 billion).

General Conditions in the Next 6 Months



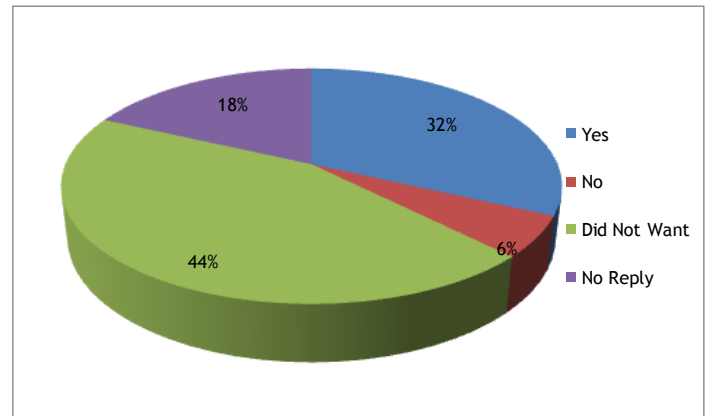
Source: National Federation of Independent Business June 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

Single-most Important Problem for Small Business Sixth District States



Source: National Federation of Independent Business June 2011 *Small Business Economic Trends*,

Borrowing Needs Satisfied within the Last 3 Months Sixth District States

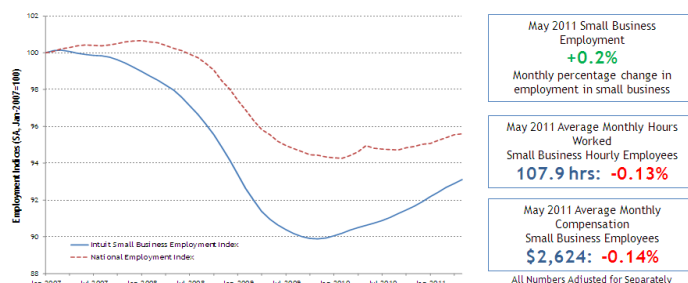


Source: National Federation of Independent Business June 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

Small Business Trends at Firms with Fewer Than 20 Employees

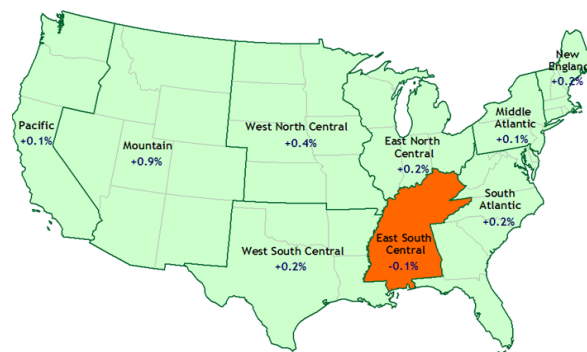
- The Intuit Small Business Employment Index, which covers firms with fewer than 20 employees, showed only modest gains in May. Small business employment grew by 0.2 percent for the month, which equates to an annual growth rate of approximately 2.6 percent. Both hours worked and total compensation per employee had slight declines of -0.13 percent and -0.14 percent, respectively. Intuit commented that “the market for small business employment is a bit softer than last month.”
- After two months of positive employment growth across all nine U.S. Census Divisions, the East South Central Census Division experienced a loss of -0.1 percent in May, possibly the result of the flooding along the Mississippi River. Growth among most of the Census Divisions have weakened since April, with only the West North Central and East North Central Census Divisions maintaining their April pace. The Mountain Census Division experienced the greatest decline in growth in May, falling 0.3 percentage points. Growth in the Pacific and East South Central Census Divisions declined 0.2 percentage points in May. However, the Pacific Census Division still posted growth for the month. The remaining Divisions each posted 0.1 percentage points of loss in growth month over month.
- On a state-level basis, Arizona saw the largest increase, at 0.6 percent, which is a 0.1 percent gain month over month. Florida also posted growth for the month of May: 0.4 percent. Georgia climbed another 0.1 percent to 0.3 percent growth for May. Washington lost momentum and experienced no growth for the month, while Maryland moved into negative territory at -0.1 percent.

Intuit Small Business Employment Index



Source: Intuit Small Business Employment Index © Intuit Inc. All rights reserved. (From the May 31, 2011, press release)

Monthly Small Business Employment Growth (May 2011)



Source: Intuit Small Business Employment Index © Intuit Inc. All rights reserved. (From the May 31, 2011, press release)

Business Bankruptcy Filings

- As the country continues to rebound from the recent financial crisis, business bankruptcy filings across the United States and within the Sixth District have continued to decline. In fact, the Sixth District has actually outpaced the United States with regards to both year-over-year and quarter-over-quarter percentage declines.
- Except for Florida, all Sixth District states posted double-digit declines year-over-year. However, Florida registered the largest actual number decrease quarter over quarter. Georgia reported the largest actual filing number decline year over year. Despite recent declines in small business sentiment and mounting concerns over the rising costs that are necessary to run a business—utilities, raw materials, taxes, healthcare, and the general cost of borrowing—small business owners are obviously still finding ways to stay operational, but how long can this feasibly continue?

Business Bankruptcy Filings (Quarter 1 2011)

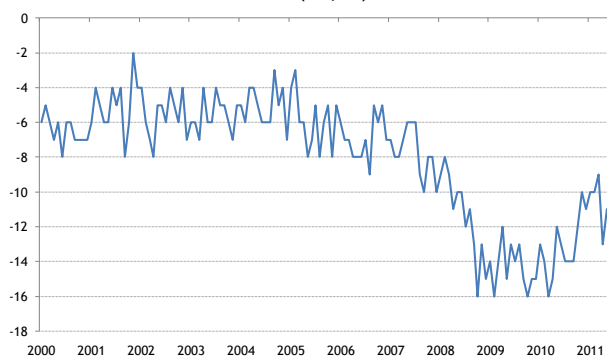
	Filings	Year-ago percent change	Quarter-ago percent change
Sixth District States	10,114	-12.1	-4.6
U.S.	54,212	-11.3	-3.7
AL	712	-14.5	-5.2
FL	4,677	-7.8	-4.2
GA	2,523	-13.9	-4.8
LA	719	-17.2	-5.4
MS	428	-18.9	-8.0
TN	1,055	-17.3	-4.2

Source: U.S. District Courts, Administrative Offices

Small Business Credit Conditions and Trends

- The National Federation of Independent Business (NFIB) reported that 92 percent of all small businesses surveyed felt that either their credit needs were met or that they simply were not interested in borrowing, remaining flat month over month. As before, only 8 percent said that their credit needs were not satisfied. Moreover, almost half, or 49 percent of respondents, stated that they did not even want a loan. Only 29 percent of all small business owners claimed that they borrowed on a regular basis, which is down 3 percentage points from April and only 1 percentage point above the record low. As in April, only 3 percent cited financing and interest rates as the single-most important problem that they are currently facing. Just 10 percent of regular borrowers indicated that loans were harder to obtain this time around than when compared to their last attempt, which represented a 1 percentage point increase month over month. Those who were expecting credit conditions to ease increased 2 percentage points from April, to -11 percent for May. All these statistics continue to show very little month-to-month variation.
- The NFIB reported that “the failure to understand why small-business owners are not hiring or investing has resulted in a set of policies [from Washington] that have not been very effective.... It is simple: when sales pick up, owners will have a reason to hire more workers to take care of customers, to produce more output and will have a reason to invest in new equipment and expansion.” Remaining historically low, the frequency of reported capital outlays over the past six months held steady at 50 percent of all firms for May, despite low interest rates and several expensing incentives. Furthermore, planned capital outlays by small business owners in the next three to six months fell 1 percentage point, to 20 percent. A net negative 5 percent of small business owners were expecting better business conditions in the next six months, which is down 15 percentage points from January. “Prospects are still uncertain enough to discourage any but the most profitable and promising investments.”

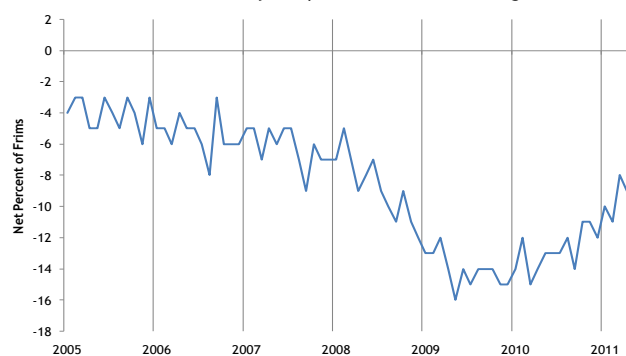
Percent Expecting Credit Conditions to Ease, Net (SA, %)



Source: National Federation of Independent Business June 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

Credit Conditions Jan. 2005–May 2011

Loan availability compared to three months ago



Source: National Federation of Independent Business June 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

Sixth District Overview

- Like other Districts, the Sixth District continues to lose momentum quarter over quarter with small business lending. As was evident from the May regional NFIB data, most small businesses within the Sixth District seem to be operating in “maintenance mode” when it comes to employment changes, capital expenditures, and credit conditions.
- For three of our six District states, poor sales was deemed the single-most important problem facing small business owners. In Georgia, poor sales tied with government requirements/red tape. In Mississippi, taxes, inflation, poor sales, large business competition, labor costs, and insurance cost/availability all tied. And in Tennessee, poor sales tied with both taxes and inflation. In contrast to what the national data indicates, poor sales was not a clear, leading problem for any of the Sixth District states.
- Nearly half, or 47.2 percent, of small business owners indicated that general conditions will be about the same over the next six months. Another 25 percent noted that conditions will be somewhat or much worse. In other words, 63.9 percent indicated this was not a good time to expand.
- The average selling price now versus three months ago for 58.3 percent of the District was unchanged: 22.2 percent noted higher prices, and 18.1 percent noted lower prices, with Florida accounting for over half of this figure.
- Only one in four small business owners in the region borrow on a regular basis—Georgia accounts for nearly 40 percent of that figure. Furthermore, 76.3 percent felt that their borrowing needs were satisfied or that they did not want a loan. On the other hand, while most owners felt about the same now as they did three months ago about obtaining a loan, most also indicated that loans would be harder to obtain during the next three months.
- Just over 72 percent of small business owners have maintained employment levels over the past three months. In the next three months, 87.5 percent will either maintain the status quo or decrease their employment levels. Of the 9.7 percent planning an increase, more than 70 percent are located in Florida.
- Just over 30 percent of small business owners made a capital purchase within the last six months. Tennessee was almost an even split between those that did and those that did not make a capital purchase. Approximately three-quarters of respondents within the Sixth District are either unsure or do not plan to make a capital expenditure in the next three to six months.

References

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