

Small Business Trends

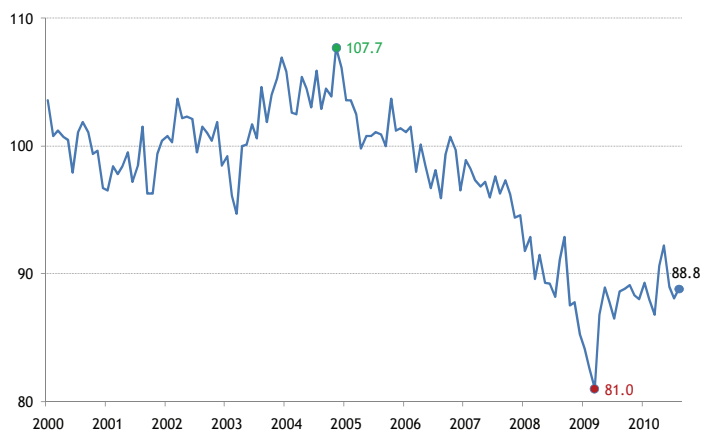
Policy & Supervisory Studies

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Small Business Optimism

- The National Federation of Independent Business's Index of Small Business Optimism inched upward in September. Although still above cyclical lows, the Index remains well below levels enjoyed prior to the onset of the financial crisis and recession.
- The scant improvement in optimism is reflected by continued stagnant employment growth. After bottoming out earlier in 2010, businesses have remained hesitant about adding to payrolls at all sized firms. In fact, overall employment at both small and medium-sized firms fell on a monthly basis in August for the first time since early this year.

Small Business Optimism Index (SA, 1986=100)



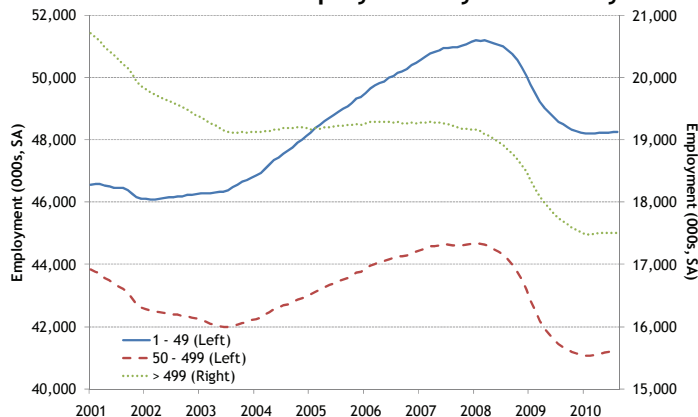
Source: National Federation of Independent Business

August 2010 Employment Trends

		Level	Share of	Growth	
		(000s, SA)	sector	M-t-M	Y-o-Y
Goods-producing		0	100%	33.56%	-79.3%
Firm size	1-49	0	144%	91.24%	-81.5%
	50-499	0	69%	71.59%	-87.6%
	> 499	0	89%	-41.46%	-58.3%
Service-producing		0	100%	-55.26%	-193.1%
Firm size	1-49	0	107%	-51.65%	-234.7%
	50-499	0	62%	-75.02%	-193.3%
	> 499	0	170%	-0.06%	-142.4%

Source: ADP National Employment Report

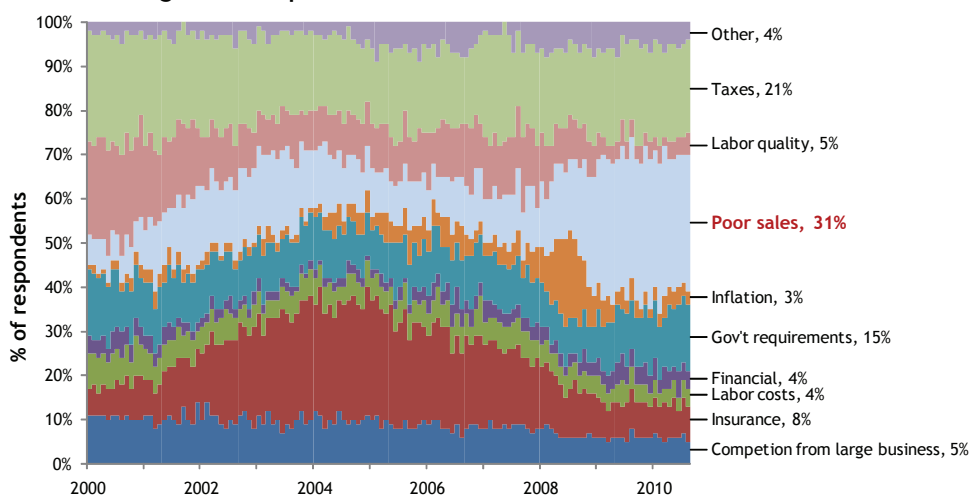
U.S. Private Sector Employment by Size of Payroll



Source: ADP National Employment Report

- Reflecting weak consumer activity, poor sales remain the dominant concern for small businesses. In September 2010, 31 percent of respondents noted poor sales as the single-most important problem they faced.

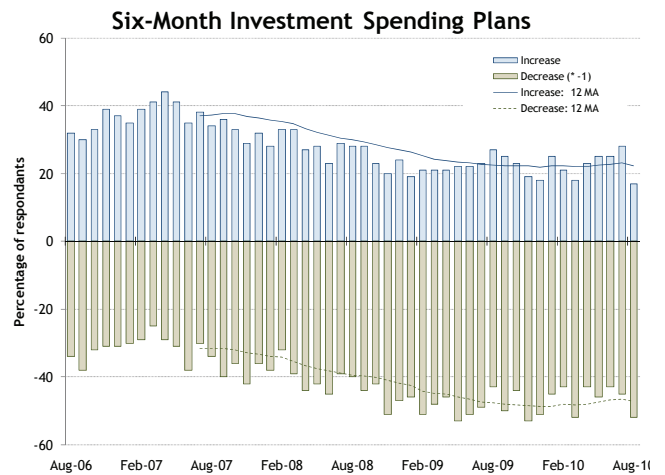
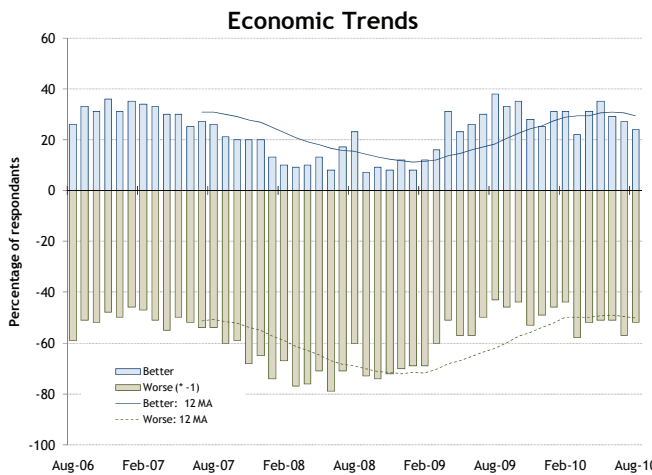
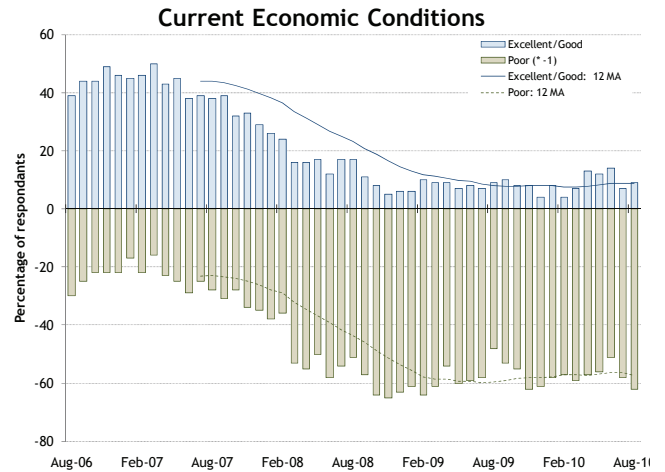
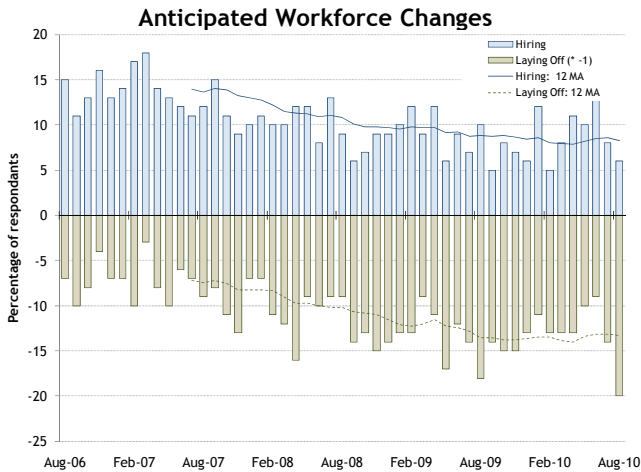
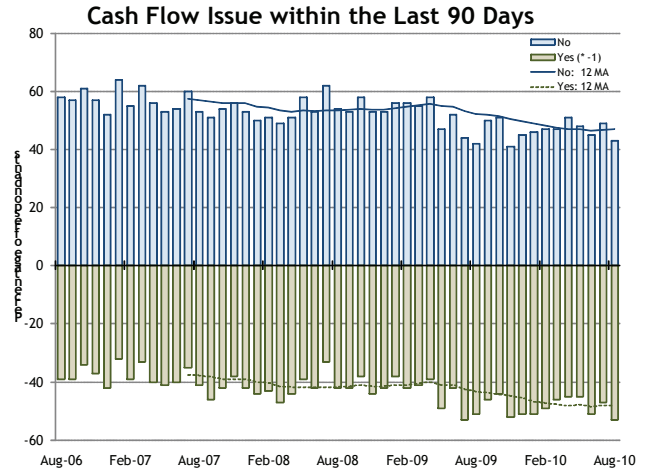
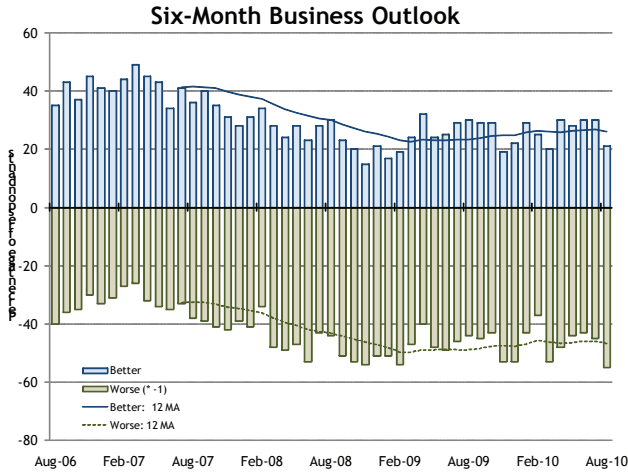
Single-most Important Problem for Small Business



Source: National Federation of Independent Business

Small Business Sentiment: Reinforced Negative Perceptions

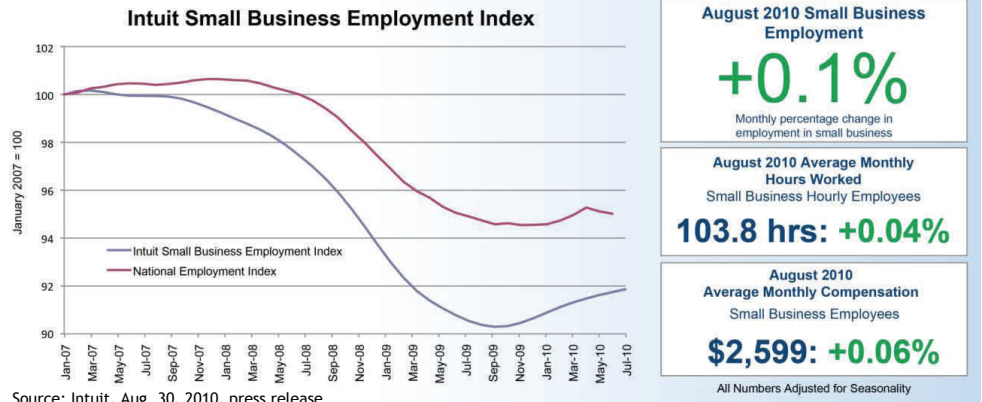
- The most recent Discover Business Watch survey suggests that the small business operating environment has worsened in recent months, with over 60 percent of respondents rating the current economy as “poor” while the six-month outlook continued to deteriorate. These views have been accompanied by a rising number of respondents experiencing cash-flow problems. Growing unease about economic conditions has translated into a spike in the percentage of respondents anticipating layoffs over the course of the next few months, which, at 20 percent, is at its highest level since the survey began four years ago. Similarly, more than half of firms surveyed now expect to decrease spending on business development (including advertising, inventories, and capital expenditures) over the next six months.



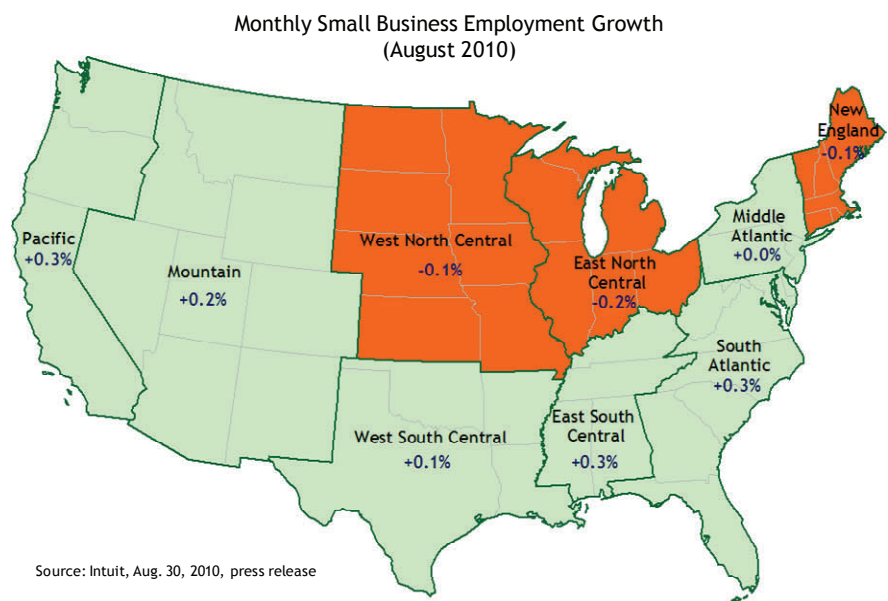
Source: Data from Rasmussen Reports LLC/Discover Small Business Watch mid-month surveys

Small Business Trends at Firms with Fewer Than 20 Employees

- According to Intuit, employment at the smallest firms (20 workers or fewer) bottomed in the fourth quarter of 2009 and has since posted modest job gains at a rate surpassing the national average. However, with a 0.1 percent month-to-month increase, the index indicated that the pace of job creation slowed in August while hours worked and monthly wages continued to post slight gains.

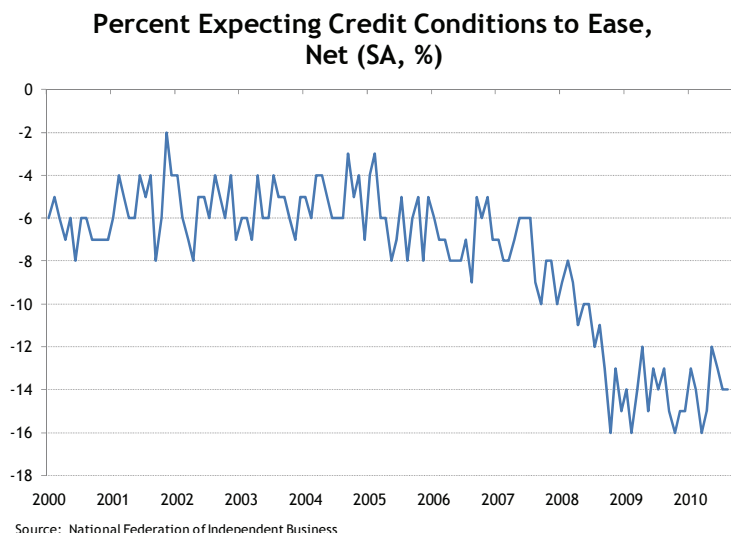


- Performance varies widely by geography. While languishing throughout the Midwest and the Northeast, small business employment in the Southeast and Pacific Coast posted gains.
- By state, New York and Virginia saw the largest percentage employment growth in August at 0.5 percent, while New Jersey turned in the worst performance. Florida and Georgia saw respective month-to-month increases in August of 0.3 percent and 0.4 percent.



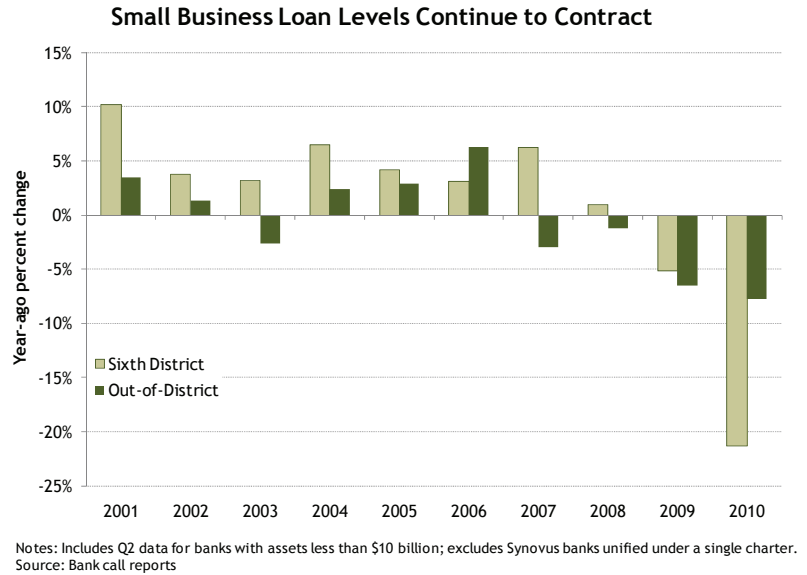
Small Business Credit Condition

- Remaining near record lows, less than one-third of small businesses reported borrowing on a regular basis over the last three months, not surprising given the persistent emphasis on cost-cutting and the curtailment in capital expenditures. Borrowing that does occur tends to be for the purpose of smoothing cash flow rather than for funding expansion or hiring. The vast majority of firms reported that all their credit needs were fulfilled or that they were averse to borrowing. However, a net 12 percent of firms seeking credit reported that loans were more difficult to obtain than during prior attempts to obtain credit. Looking forward, more businesses expect credit conditions to worsen from current conditions.



Sixth District Small Business Lending on Downward Trend

- Second-quarter bank call report data reflect the challenging operating environment faced by small business owners and, as indicated from survey results, their apparent disinclination to take on more debt. In the second quarter of 2010, Sixth District small business loan levels were down 21 percent from a year earlier, nearly triple the pace out-of-District.
- Georgia saw the largest percentage and absolute declines in small business loan levels. Only Louisiana managed to eke out slight increases in loan levels during the year-over-year period. (Call report data do not classify loans geographically, but we assume that smaller banks tend to make a significant share of loans locally.)



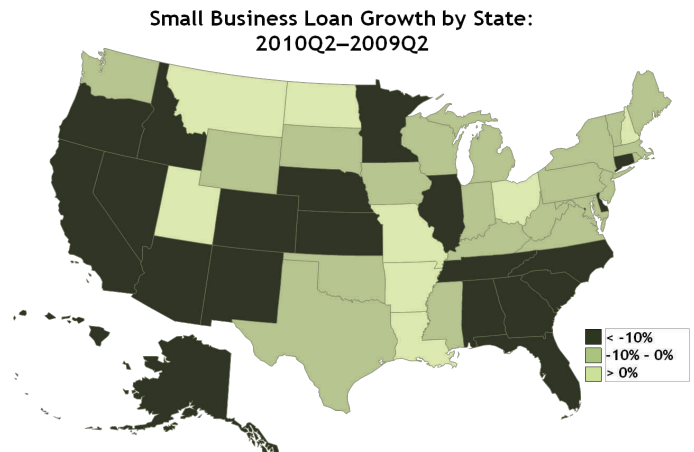
- The District has seen a steady decline in small business loans as a share of total assets. District exposures are below national levels. Small business loan exposures are highest in Alabama, followed by Tennessee.

Total C&I Loans Outstanding with Original Amounts < \$1,000,000

	2010Q2			2009Q2			2010Q2-2009Q2			
	Amount (\$000s)	Number	% of Assets	Amount (\$000s)	Number	% of Assets	Difference		Percent Change (%)	
							Amount (\$000s)	Number	Amount (\$000s)	Number
Sixth District	13,108,690	221,249	4.30	16,662,233	307,263	4.70	-3,553,543	-86,014	-21.3	-28.0
AL	1,893,863	32,762	5.89	2,408,922	40,927	6.41	-515,059	-8,165	-21.4	-20.0
FL	3,278,961	40,906	3.54	4,009,762	90,600	3.79	-730,801	-49,694	-18.2	-54.8
GA	2,921,923	55,995	3.94	4,527,836	79,983	4.29	-1,605,913	-23,988	-35.5	-30.0
LA (pt.)	1,520,356	30,258	4.37	1,511,771	28,846	5.08	8,585	1,412	0.6	4.9
MS (pt.)	1,102,608	23,356	4.00	1,136,687	23,372	4.40	-34,079	-16	-3.0	-0.1
TN (pt.)	2,390,979	37,972	5.54	3,067,255	43,535	6.16	-676,276	-5,563	-22.0	-12.8

Source: Bank call reports (includes commercial banks with assets < \$10b)

- Falling small business loan levels remain widespread not only in the Sixth District but nationwide as well, with more than 20 states experiencing year-ago percentage declines in excess of 10 percent.



Source: Bank call reports (includes commercial banks with assets < \$10b)