

## Small Business Trends

### *Policy & Supervisory Studies*

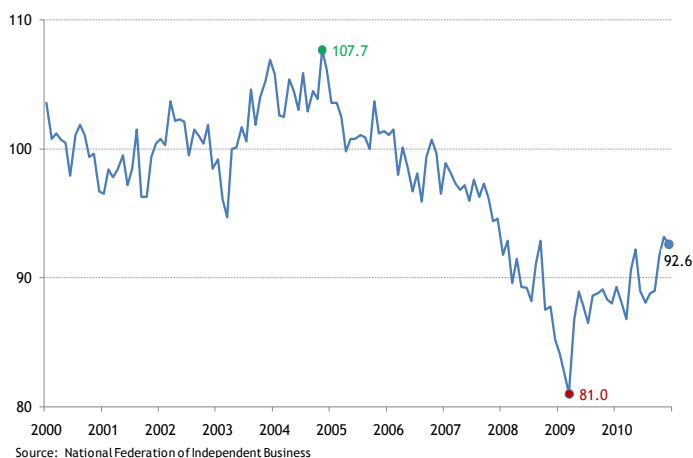
---

Small Business Optimism	1
Small Business Sentiment	2
Small Business Trends at Firms with Fewer Than 20 Employees	3
Small Business Retirement Plans	3
Small Business Credit Conditions	4
Small Business Lending Programs	4

## Small Business Optimism

- The Small Business Optimism Index fell 0.6 points, to 92.6, for the month of December. Though the drop is small, it is the first decrease observed since July 2010 and was not expected, given positive holiday season expectations and marginally better retail sales numbers. This marks the Index's 36th month in recessionary territory.
- On the other hand, private employment growth for December was very strong, growing at a pace above what is usually associated with a declining unemployment rate. Since September, monthly employment growth has accelerated, with a greater than three-fold increase from November to December. The service-producing sector continued to post gains across all firm sizes and it recorded the largest monthly increase in the history of ADP's National Employment Report.

**Small Business Optimism Index (SA, 1986=100)**

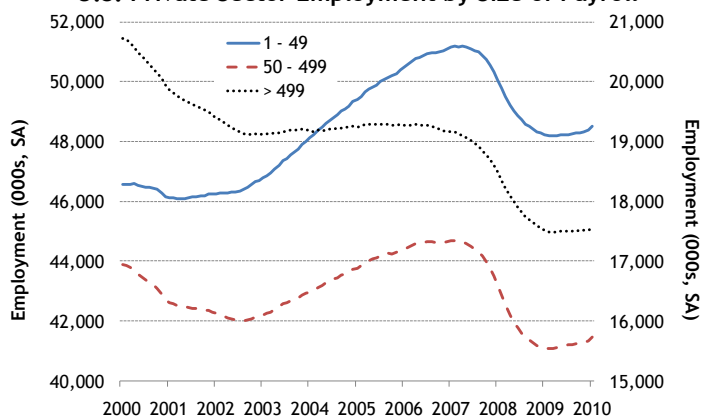


**December 2010 Employment Trends**

		Level Share of		Growth	
		(000s, SA)	Sector	M-t-M	Y-o-Y
Goods Producing		17,489	100%	0.15%	-1.4%
Firm Size	1-49	6,360	36%	-0.05%	-2.9%
	50-499	7,691	44%	0.27%	-0.1%
	> 499	3,438	20%	0.26%	-1.3%
Service Producing		90,023	100%	0.30%	1.0%
Firm Size	1-49	42,139	47%	0.29%	1.1%
	50-499	33,778	38%	0.37%	1.2%
	> 499	14,106	16%	0.19%	0.6%

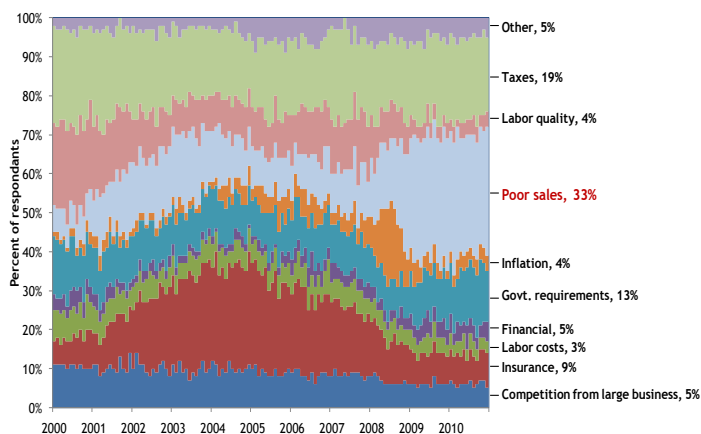
Source: ADP National Employment Report

**U.S. Private Sector Employment by Size of Payroll**



The most frequently cited problem for small businesses in December was still poor sales, gaining an additional 3 percentage points support for the month.

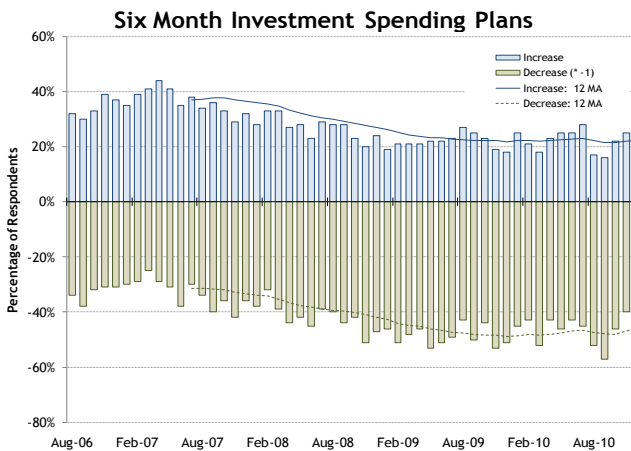
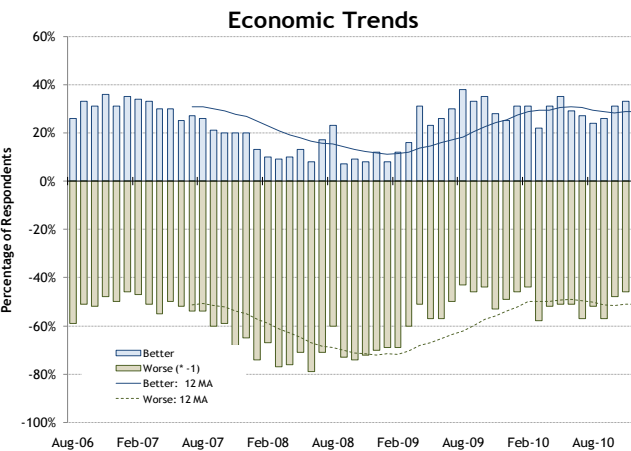
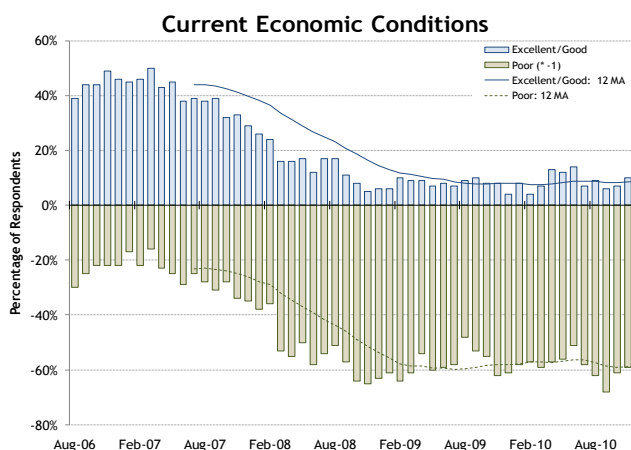
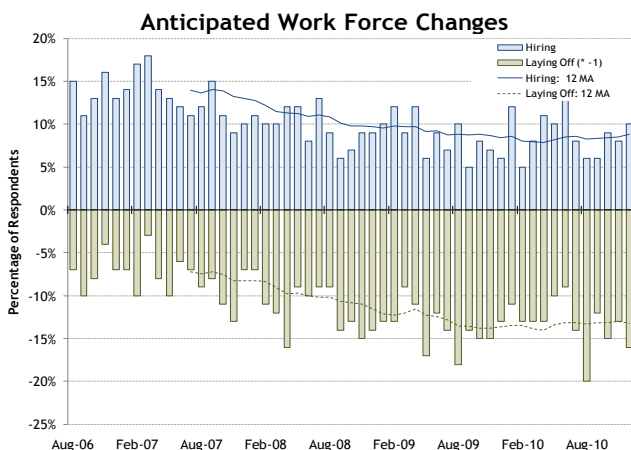
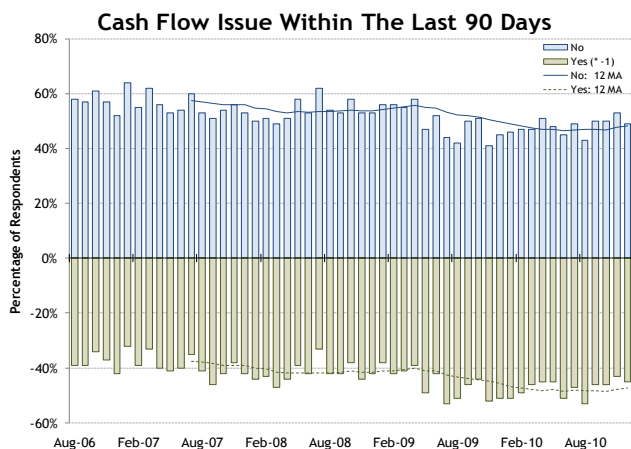
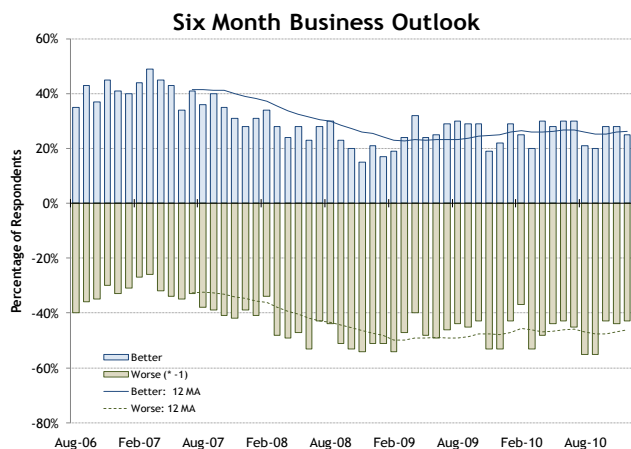
**Single-most Important Problem for Small Business**



## Small Business Sentiment

The most recent Discover Small Business Watch Survey showed that confidence among small business owners waned during the month of December. The monthly index was down 5.6 points from November, though it remained 4.6 points higher than one year ago. Over half of all small business owners reported that the economy is getting worse. Only 25 percent felt that it was actually getting better, which is down 8 percent since November. Sixty-two

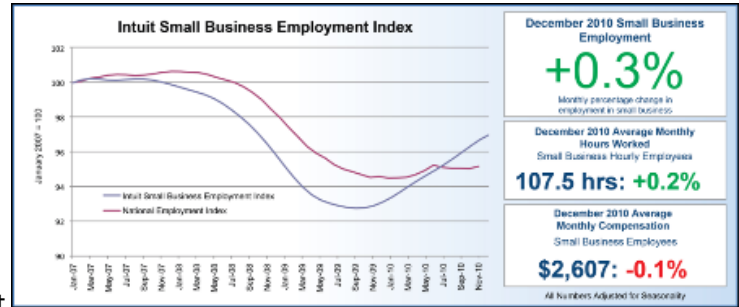
percent of respondents now rate the current economy as poor. With business outlook projections faring not much better and temporary cash flow issues beginning to climb after reaching the lowest level reported in 17 months for November, more small business owners are planning to either decrease or maintain business development spending in the next six months.



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

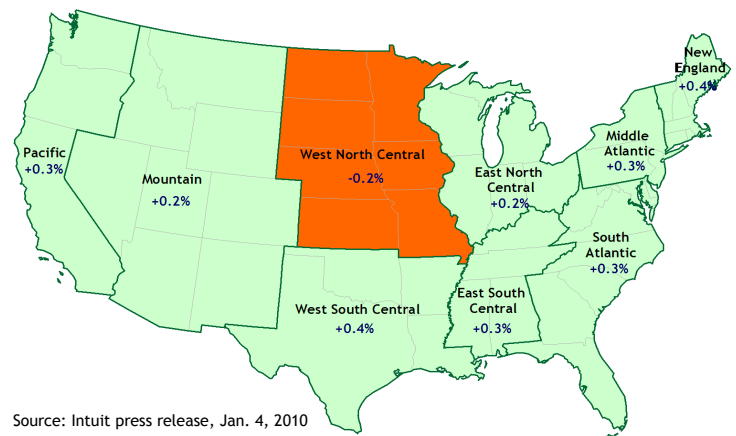
## Small Business Trends at Firms with Fewer Than 20 Employees

- According to Intuit, growth in small business employment was unusually strong for the month of December, with total compensation flat and hours worked up. Small business employment grew by 0.3 percent, which equates to a 3.4 percent annual growth rate. “We can hardly see the recovery in overall national employment, but among small businesses, the recovery, albeit small, is unambiguous.”
- For the sixth month in a row, the West North Central Census Division experienced employment declines. Most of the Census Divisions remained flat month-to-month. However, both the West South Central and the East South Central Census divisions grew an additional 0.1 percent, while the Mountain Census Division grew an additional 0.2 percent from November.
- Furthermore, most states also saw employment growth during the month of December. The largest increases were in Washington (0.6 percent), Arizona (0.5 percent), Maryland (0.5 percent), New Jersey (0.5 percent), Texas (0.5 percent), Florida (0.4 percent), Massachusetts (0.4 percent), and Virginia (0.4 percent). New York actually posted a -0.1 percent decline during the month.



Source: Intuit press release, Jan. 4, 2010

### Monthly Small Business Employment Growth (December 2010)

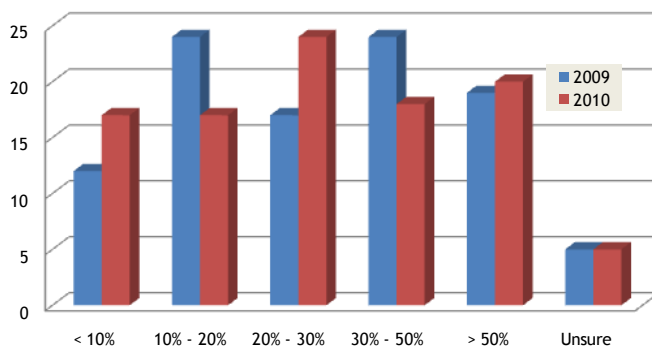


Source: Intuit press release, Jan. 4, 2010

## Small Business Retirement Plans

- Small business retirement plans have definitely suffered as a result of the economic downturn. Only 50 percent of those surveyed now have a financial plan for their retirement, which is down 12 percentage points from 2009. Furthermore, 38 percent of small business owners stated that they do not plan to even retire at all. Only 35 percent plan to retire before the age of 65, which is down from 41 percent just one year ago.
- On a separate note, 74 percent of respondents said that the recession had depleted their savings, and 20 percent saw a decrease of more than 50 percent in their retirement savings. Only 56 percent of small business owners said they are either very or somewhat likely to have enough resources to support themselves during their retirement, which is down 7 percentage points from last year.

How Much Did the Recession Decrease Your Retirement Savings?



Source: Discover Business Watch/Rasmussen LLC

How Likely Is It That You Will Have Enough Resources to Last through Your Retirement? (in percent)

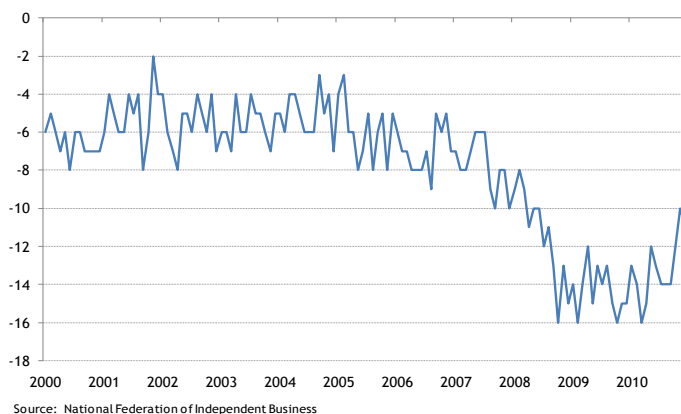
	2009	2010
Very likely	24	24
Somewhat likely	39	32
Not very likely	25	24
Not at all likely	7	11
Not sure	4	9

Source: Discover Business Watch/Rasmussen LLC

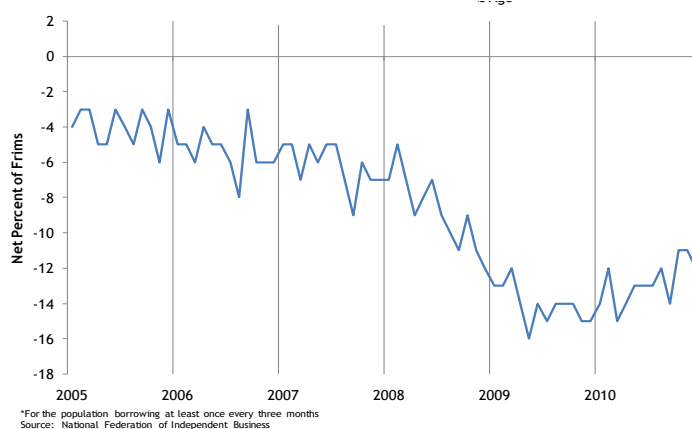
## Small Business Credit Conditions

- Unchanged from November, the National Federation of Independent Business (NFIB) reported that 91 percent of the small businesses surveyed felt that either their credit needs were met or that they simply were not interested in borrowing in December; only 9 percent thought that their credit needs were not satisfied. Down 3 percentage points from November, 50 percent of the respondents stated that they did not want a loan, and 5 percent cited financing as their top business problem, which is up 1 percentage point from last month.
- Also climbing from the record level low of 28 percent reached in November, during the month of December 30 percent of all small business owners claimed that they borrowed on a regular basis. Of those regular borrowers surveyed, 12 percent stated that loans were harder to obtain this time around when compared to their last attempt. Those who were expecting credit conditions to ease fell 1 percentage point to -11 percent for the month of December.
- With most small business owners citing poor sales as their top problem, capital expenditures and the loans needed to finance them are simply not worth the investment at this point in time thus causing the strong lack in demand for credit. For the past six months, the frequency of reported capital outlays fell 4 percentage points to 47 percent of all firms, which is now only 3 percentage points above the lowest level ever recorded.

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



Credit Conditions:  
Loan Availability Compared to Three Months Ago  
January 2005 to December 2010



## Small Business Lending Programs

- As of December 31, 2010 the Small Business Administration (SBA) exhausted its incentives under the 7(a) and 504 loan programs, which have been in effect since February 2009 as part of the American Recovery and Reinvestment Act. The SBA still offers both loan programs, but the fees and guarantees associated with these programs have returned to their traditional levels.
- The recently created \$30 billion Small Business Lending Fund, an initiative targeting mostly community banks, is expected to boost the number of loans extended by banks in 2011.
- Michigan and North Carolina are the first two states to receive funds from the new \$1.5 billion federal small business lending initiative created in October. As part of this initiative, all 50 states, including the District of Columbia and U.S. territories, can apply for federal funds. States are required to demonstrate that they can generate \$10 in new private lending for every \$1 in federal funding received.

## References

National Federation of Independent Business: [www.nfib.com/portals/0/pdf/sbet/sbet201101.pdf](http://www.nfib.com/portals/0/pdf/sbet/sbet201101.pdf)  
 Automatic Data Processing Inc. (ADP): [www.adpemploymentreport.com/pdf/FINAL\\_Report\\_December\\_10.pdf](http://www.adpemploymentreport.com/pdf/FINAL_Report_December_10.pdf)  
 Discover Business Watch: [www.discovercard.com/business/watch/#](http://www.discovercard.com/business/watch/#)  
 Intuit: [about.intuit.com/about\\_intuit/press\\_room/press\\_release/articles/2011/SmallBusinessEmploymentIndexDecember.html](http://about.intuit.com/about_intuit/press_room/press_release/articles/2011/SmallBusinessEmploymentIndexDecember.html)