

Small Business Trends

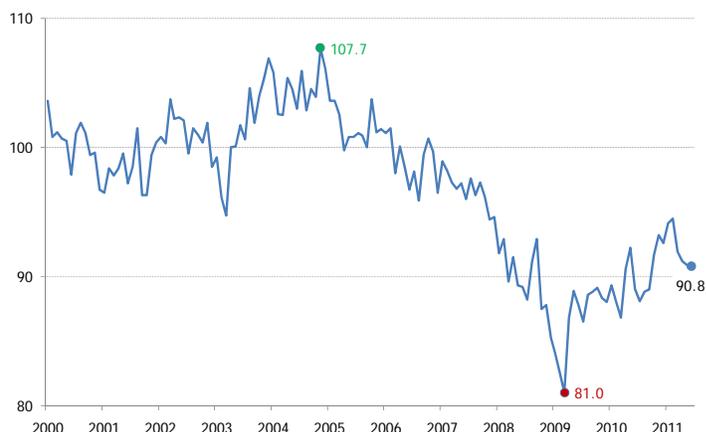
Policy & Supervisory Studies

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Small Business Optimism

- Falling one-tenth of a point in June to 90.8—basically unchanged from last month—the Small Business Optimism Index of the National Federation of Independent Business (NFIB) continued to demonstrate little sign of any overall impending improvement for the small business sector. This marks the fourth consecutive month of waning small business sentiment. Despite some slightly positive indicators since May for projected plans for capital outlays, increases in employment, and higher current job openings, stark pessimism mired any sort of improving economic and higher real sales expectations, pulling overall small business optimism down. Bill Dunkelberg, chief economist at the NFIB, sums it all up in the July 2011 *Small Business Economic Trends* report: “Between the deluge of new regulations and a Washington policy agenda that is largely ignorant of Main Street needs, stubbornly low consumer spending, and grave concern among small firms about the federal budget, there is not much to be optimistic about as a small-business owner.”
- After some dismal May figures, private sector employment growth rebounded in June. Of the jobs created for the month, employment for small businesses, defined as those with fewer than 50 workers, accounted for 56 percent (14 percent goods-producing, 86 percent service) of the total. This figure is up 226 percent from May.

Small Business Optimism Index (SA, 1986=100)



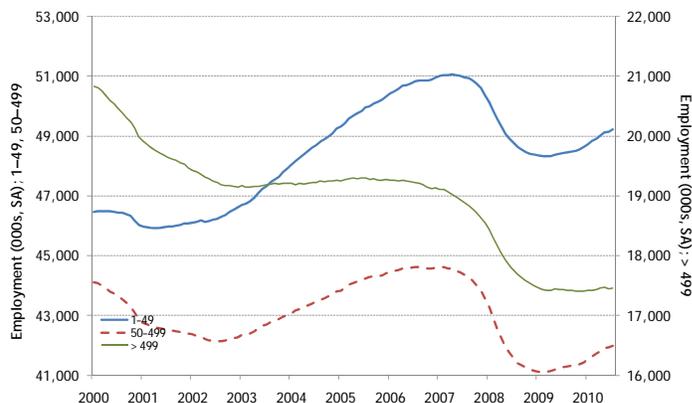
Source: National Federation of Independent Business July 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

June 2011 Employment Trends

		Level (000s, SA)	Share of sector	Growth M-t-M Y-o-Y	
Goods-producing		17,834	100%	0.15%	0.7%
Firm size	1-49	6,647	37%	0.18%	0.5%
	50-499	7,769	44%	0.13%	1.9%
	> 499	3,418	19%	0.15%	-1.3%
Service-producing		90,843	100%	0.14%	1.6%
Firm size	1-49	42,577	47%	0.18%	1.8%
	50-499	34,228	38%	0.14%	1.7%
	> 499	14,038	15%	0.04%	0.5%

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

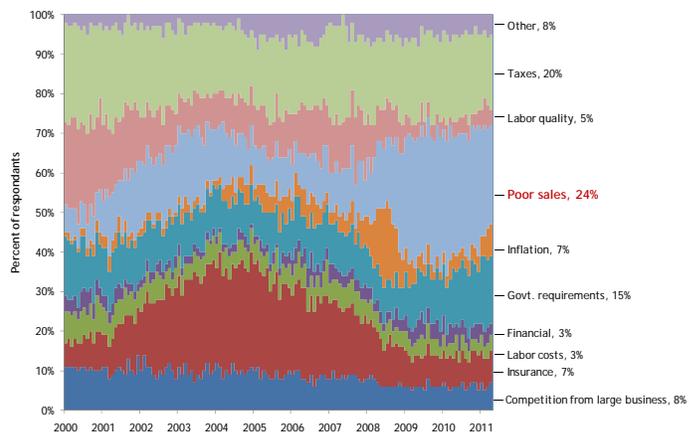
U.S. Private Sector Employment by Size of Payroll



Source: Based on data in the June 2011 *ADP National Employment Report*®

- At 24 percent, poor sales were still the most frequently cited problem. Furthermore, with small business owners “registering a vote of ‘no confidence’ in the federal government,” it is no surprise that taxes (20 percent) and government requirements/red tape (15 percent) are running a close second and third.

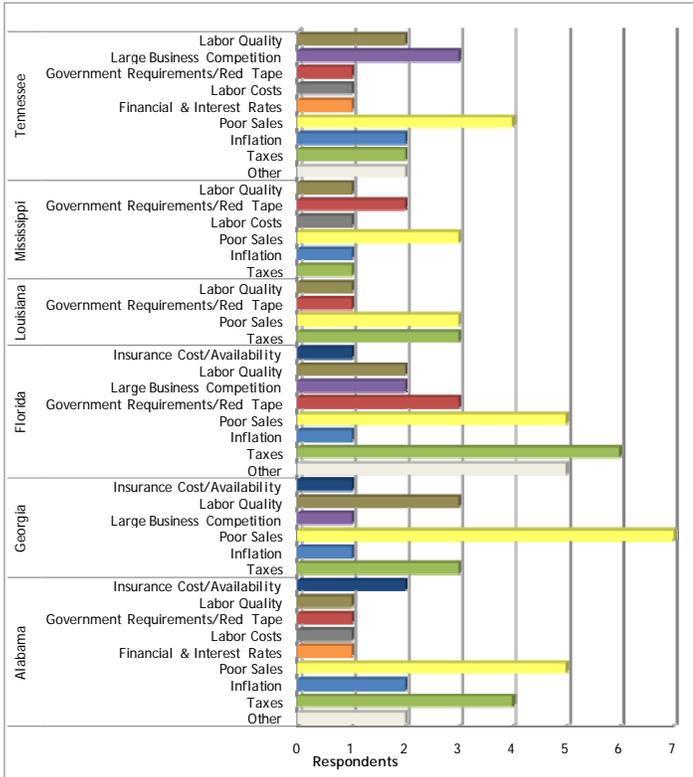
Single-most Important Problem for Small Business



Source: Based on data from National Federation of Independent Business July 2011 *Small Business Economic Trends*.

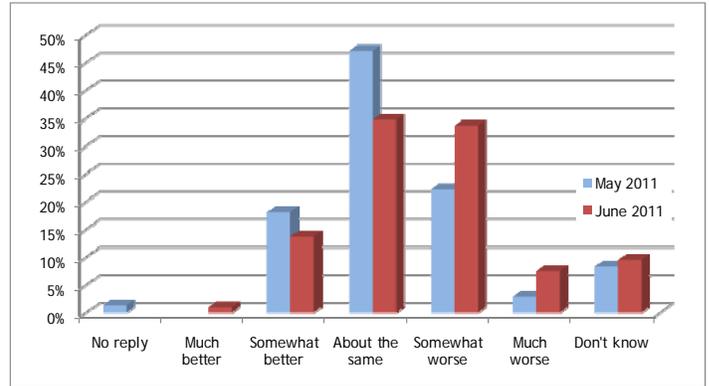
Sixth District Sentiment

Single-most Important Problem for Small Business



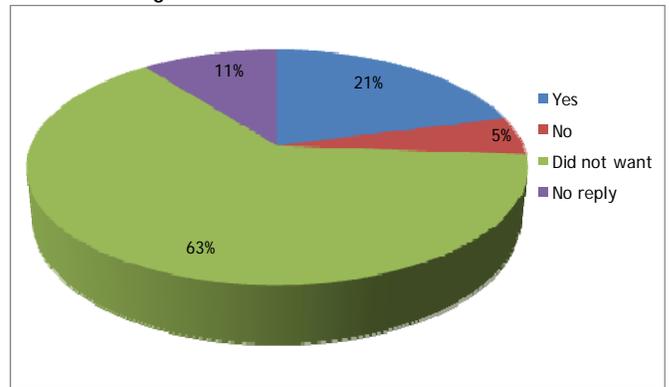
Source: National Federation of Independent Business July 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

General Conditions in the Next 6 Months



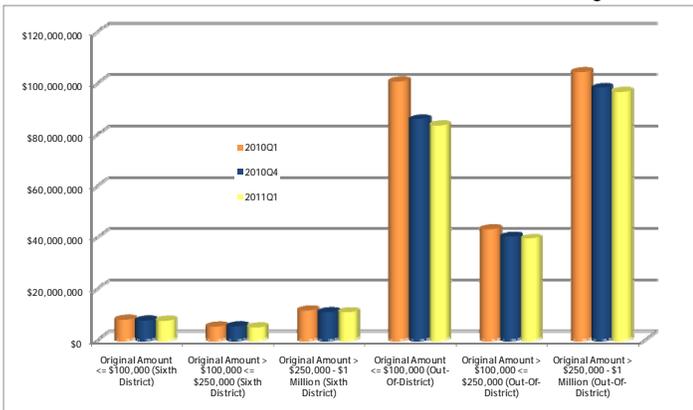
Source: National Federation of Independent Business June and July 2011 issues of *Small Business Economic Trends*, ©NFIB Research Foundation.

Borrowing Needs Satisfied within the Last 3 Months



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

Commercial and Industrial Loans Outstanding



Source: Federal Financial Institutions Examination Council/Call reports

Sixth District Overview

- Basically unchanged since last month, approximately 72 percent of small business owners in the Sixth District have maintained employment levels over the past three months. Neither Mississippi nor Louisiana have decreased their employment levels. In the next three months, 87.4 percent expect to either maintain the status quo or decrease their employment levels. The states of Mississippi and Tennessee have no plans to decrease future employment levels, while more Florida respondents planned to decrease rather than increase their employment levels. Almost 50 percent of respondents made a

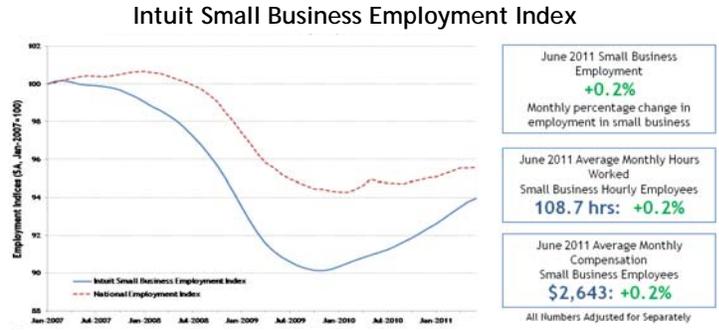
capital purchase within the last six months, but nearly 78 percent of respondents are still uncertain or do not plan to make a capital expenditure in the next three to six months.

- Sixth District small business owners continued to be cautious throughout June, still showing uncertainty in borrowing, hiring, and capital expenditures. This month, the National Federation of Independent

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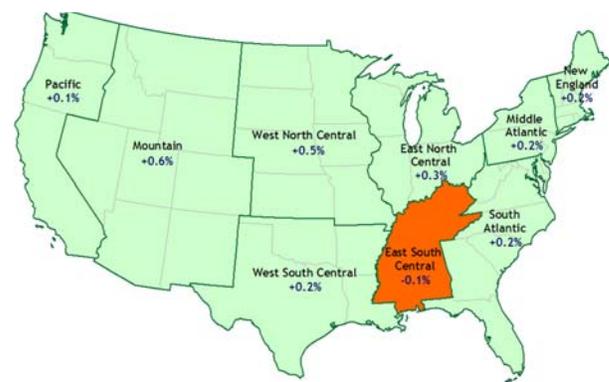
Small Business Trends at Firms with Fewer Than 20 Employees

- The Intuit Small Business Employment Index rose only slightly in June. Employment grew by 0.2 percent for the month, which equates to a 2.7 percent annual growth rate. Hours worked and total compensation per employee moved back into positive territory month over month, both increasing 0.2 percent. Susan Woodward, the economist who helps create the index, is quoted in the July 6, 2011, Intuit press release as saying that “the small business employment figures we follow look more hopeful this month. Employment is up. Hours worked are up. Compensation and the hourly wage are up, and also the fraction of hourly people working full time is up. Even the hiring rate, which has been flat for a long while, is up a bit.”
- As it did last month, the East South Central Census Division lost -0.1 percent. However, job growth across most other parts of the country continues to be positive. The Pacific, West South Central, South Atlantic, and New England Census Divisions remained relatively flat. Unfortunately, though the Mountain Census Division posted positive growth, it was the only area to post a decline in growth rate, which fell another 0.3 percentage points since May. The West North Central, East North Central, and Middle Atlantic Census Divisions each posted a 0.1 percentage point gain in growth month over month.
- On the state level, none of the states Intuit tracks posted negative growth. Georgia continued to gain momentum, climbing 0.2 percentage points to 0.5 percent, the largest increase observed. Falling 0.2 percentage points month over month, Arizona still posted 0.4 percent growth, coming in second alongside New Jersey and North Carolina. New York, California, and Texas experienced the lowest level of growth for the month, posting 0.1 percent growth.



Source: Intuit Small Business Employment Index © Intuit Inc. All rights reserved. (From the July 6, 2011, press release)

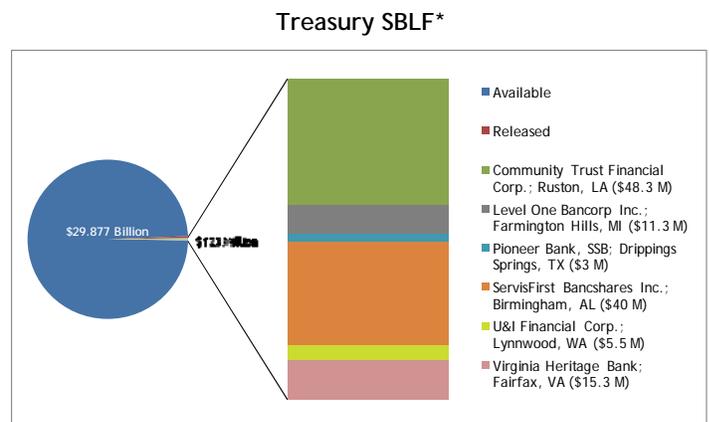
Monthly Small Business Employment Growth (June 2011)



Source: Intuit Small Business Employment Index © Intuit Inc. All rights reserved. (From the July 6, 2011, press release)

Small Business Lending Fund Distributions

- The first wave of capital has finally been released under the Small Business Lending Fund, a program created last fall by the federal government to revive small business lending and create as many jobs as possible. Of the \$30 billion in the fund, about \$123 million has been distributed to just six community banks. No Sixth District member banks were included among the list of recipients. The Treasury continues to face pressure to speed up the distribution of the capital. As of the end of June, the Treasury had received a total of 869 applications for approximately \$11.6 billion. Additional funding announcements will be made on a rolling basis in the coming weeks. The Treasury has until September 27, 2011, to distribute the funds.



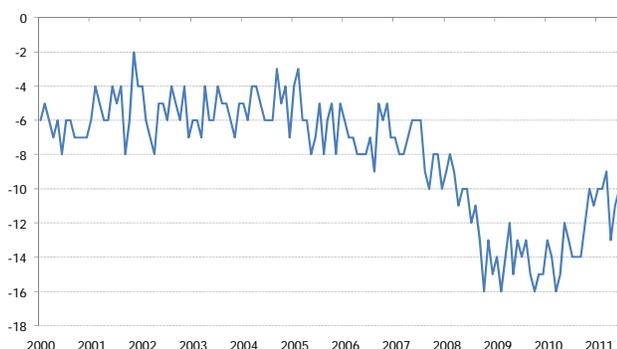
*As of early July 2011

Source: U.S. Department of the Treasury

Small Business Credit Conditions and Trends

- Credit conditions and small business sentiment toward credit were relatively unchanged month over month; they have remained somewhat steady for the first half of 2011. For the most part, credit has been available, but small business owners are simply not seeing any reason to assume any more debt, partly because of continually dismal negative earnings trends. Only 3 percent of small business owners cited financing and interest rates as their top problem. As a result, 91 percent of all respondents—1 percentage point less than in May—felt that their credit needs were met or they were simply not interested in borrowing. More than half, or 53 percent of respondents, stated they did not even want a loan. This number is a 4 percentage point month-over-month increase. The NFIB's July 2011 *Small Business Economic Trends* reported that another 13 percent of those surveyed "did not answer the question and might be presumed to be uninterested in borrowing as well." As in May, only 29 percent of all small business owners claimed they borrowed on a regular basis, only 1 percentage point above the record low. Marking a 1 percentage point

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



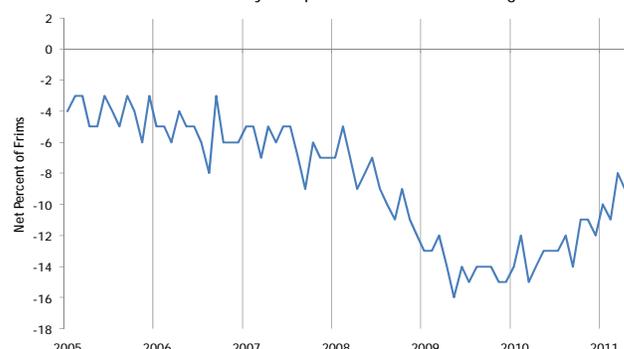
Source: National Federation of Independent Business July 2011 *Small Business Economic Trends*, ©NFIB Research Foundation.

month-over-month improvement, 9 percent of regular borrowers said that loans were harder to obtain this time around than when compared to their last attempt, and those who expected credit conditions to ease increased 1 percentage point since May's survey, to -10 percent.

- Half of all small business owners—same as in May—reported making capital outlays over the past six months, which according to the NFIB is a historically low average. There was a slight increase in the number of small businesses planning to make capital expenditures in the next three to six months, but due to unfaltering uncertainty, 69 percent of those surveyed still view this as a poor time to expand, with three-quarters blaming the weak economy and one-tenth citing political uncertainty. In fact, a net negative 11 percent expected better business conditions in the next six months, down another 6 percentage points from May and marking the lowest level recorded since July 2010.

Credit Conditions Jan. 2005–June 2011

Loan availability compared to three months ago*



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

Sixth District Overview

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Businesses (NFIB) reported a District response rate of 12.4 percent, an increase of 2.6 percentage points over May. Poor sales were the single most important problem facing small business owners for four of the six states, with taxes usually coming in a close second. For Louisiana, poor sales tied with taxes as the top-cited problem. Florida small business owners reported taxes as the most important problem. Note that in May, Florida respondents did not even cite taxes as a problem. And for Georgia, government requirements/red tape, which tied for the top spot in May, was no longer cited as a problem. Labor quality, only reported by two respondents last month, was listed by all six states as a problem. Sentiment about improving conditions over the next six months dropped. Approximately 35 percent of Sixth District small business owners felt that general conditions would be about the same over the next six months, while just over 41 percent indicated that conditions would be at least somewhat or much worse. Georgia, Florida, and Tennessee seemed to be the most pessimistic; Mississippi also leaned more negative.

- With a 3.5 percentage point increase, 67.4 percent of respondents indicated that now is not a good time to expand. On the flip side,

Alabama, Florida, and Louisiana were the only three states to have any positive expansion outlook.

- The average selling price now versus three months ago for just over half of the District was unchanged—3.5 percent of respondents noted higher prices now, an 8.3 percentage point increase over last month, while 19 percent were currently experiencing lower prices, with owners in Tennessee and Florida accounting for over half of this figure. Tennessee was the only state in the District to have more respondents report lower rather than higher selling prices.
- Only 21 percent of small business owners in the Sixth District borrowed on a regular basis, with Georgia still accounting for most of that figure. About 84.2 percent felt their borrowing needs were satisfied or they did not even want a loan, about an 8 percentage point month-over-month increase. More respondents report that it was more difficult to get a loan during the last three months, with Georgia, Florida, and Tennessee citing greater difficulty. However, the outlook for difficulty with regard to securing a loan in the next three months showed some signs of easing.

References

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U.S. Treasury: <http://www.treasury.gov/resource-center/sb-programs/Documents/SBLFTransactions/SBLF%20Transactions%20Report%20-%20THRU%2007062011.pdf>