

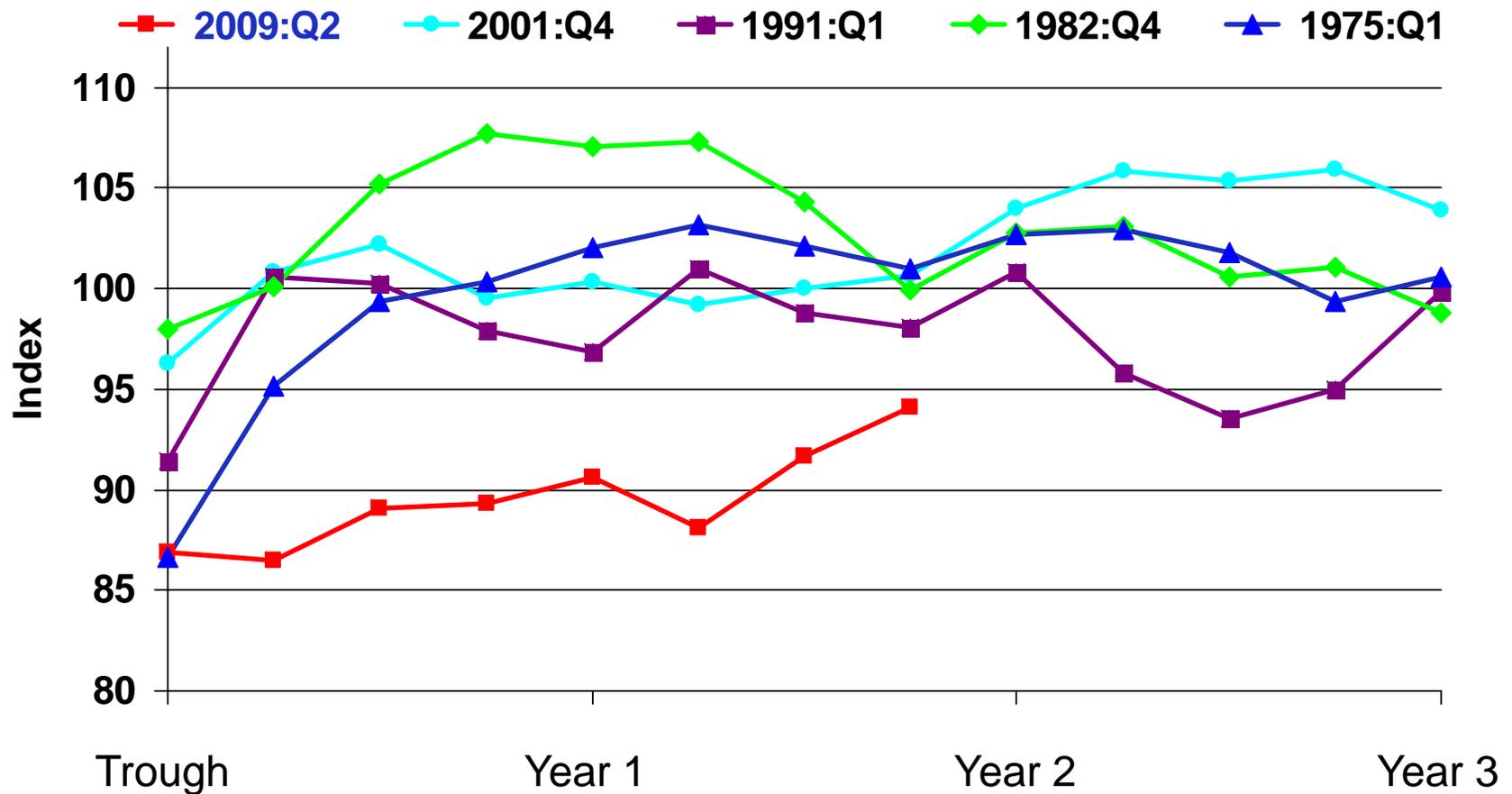
# Small Business Conditions and Their Tie to Credit Markets

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Richmond Fed Credit Markets Symposium  
Charlotte, NC  
March 31, 2011

# Principal Data Sources

- Small Business Economic Trends
  - monthly since 1986
  - quarterly since 1973
  - from NFIB membership
- Small Business Access to Credit
  - 2009 and 2010
  - from D&B files
- [www.nfib.com/research](http://www.nfib.com/research)

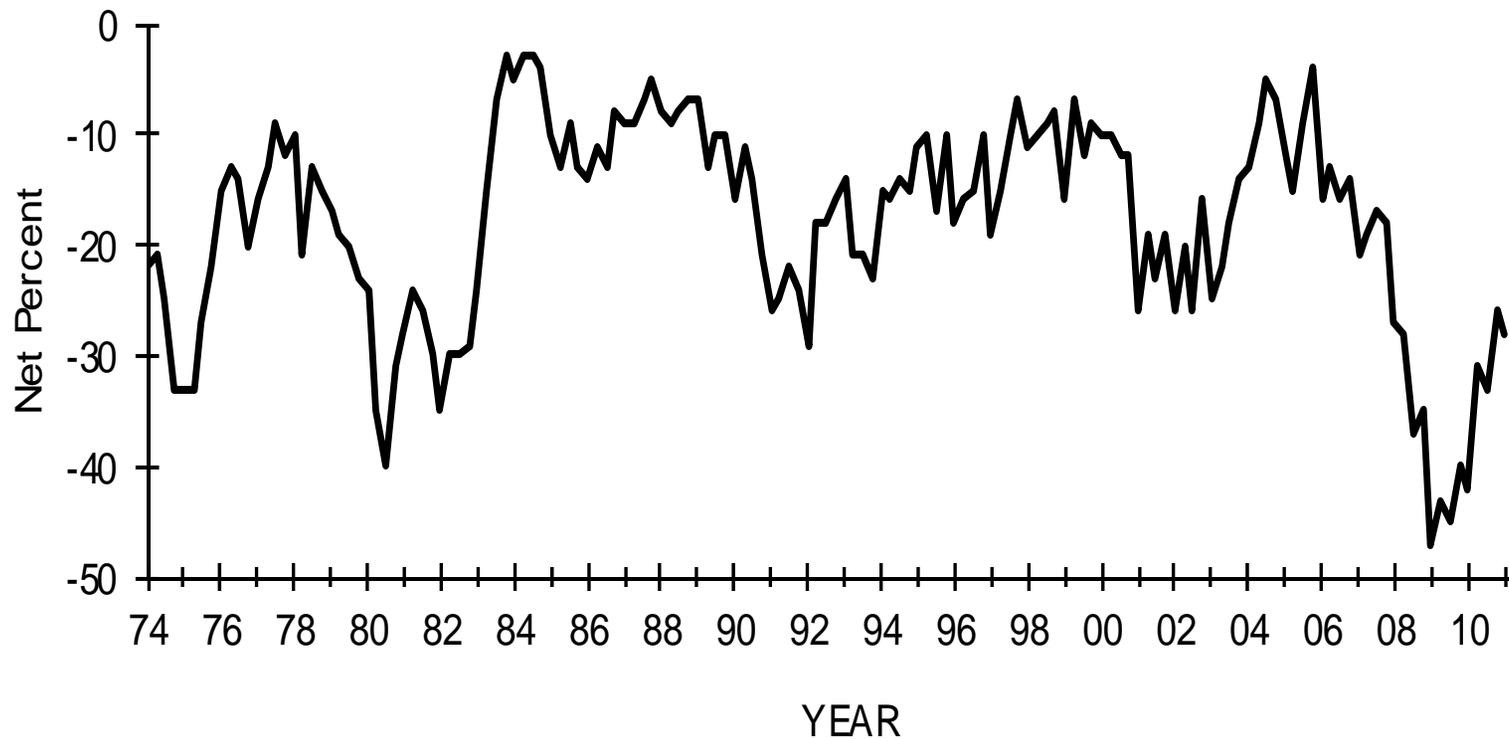
# Small Business Optimism Index (Recovery from NBER Trough)



# Actual Earnings Changes

## Last Three Months Compared to the Prior Three

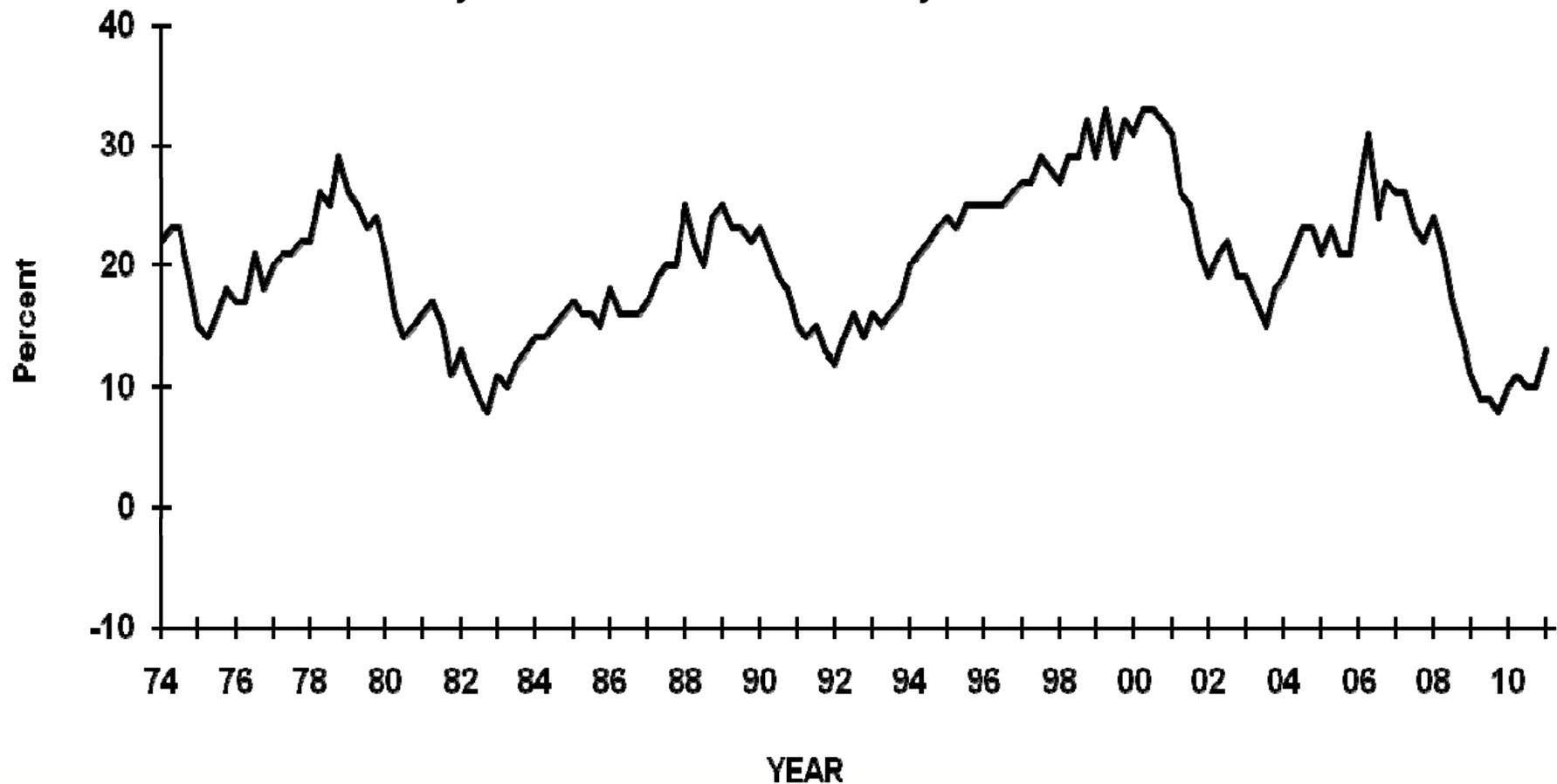
*January Quarter 1974 to January Quarter 2011*



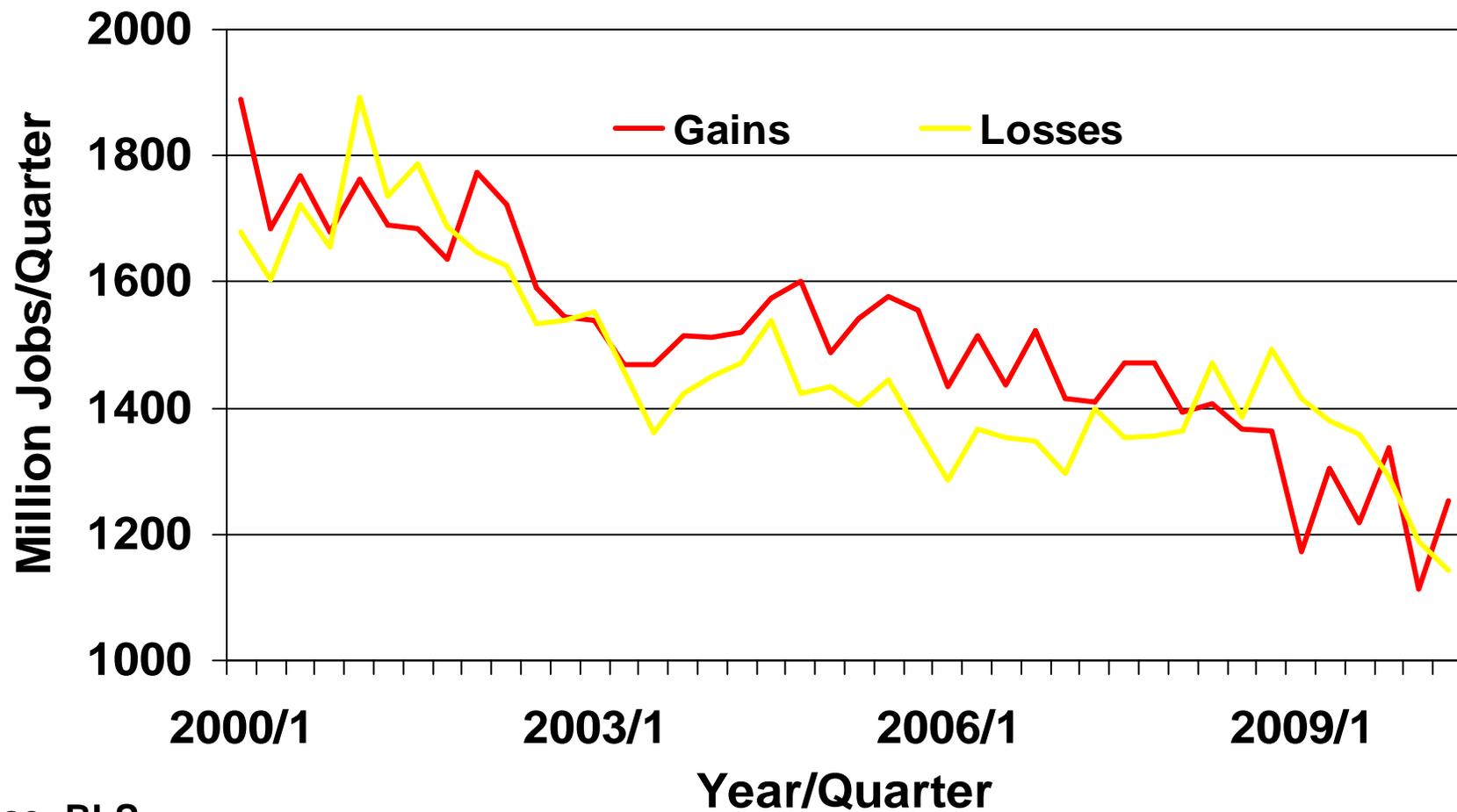
# Current Job Openings

## Percent With Positions Not Able to Fill Right Now

*January Quarter 1974 to January Quarter 2011*



# Job Gains (Losses) from Establishment Openings and Closings



Source: BLS

# Outlook for Expansion

## Percent Next Three Months “Good Time to Expand”

*January Quarter 1974 to January Quarter 2011*



# Actual Prices

## Actual Last Three Months

*January Quarter 1974 to January Quarter 2011*

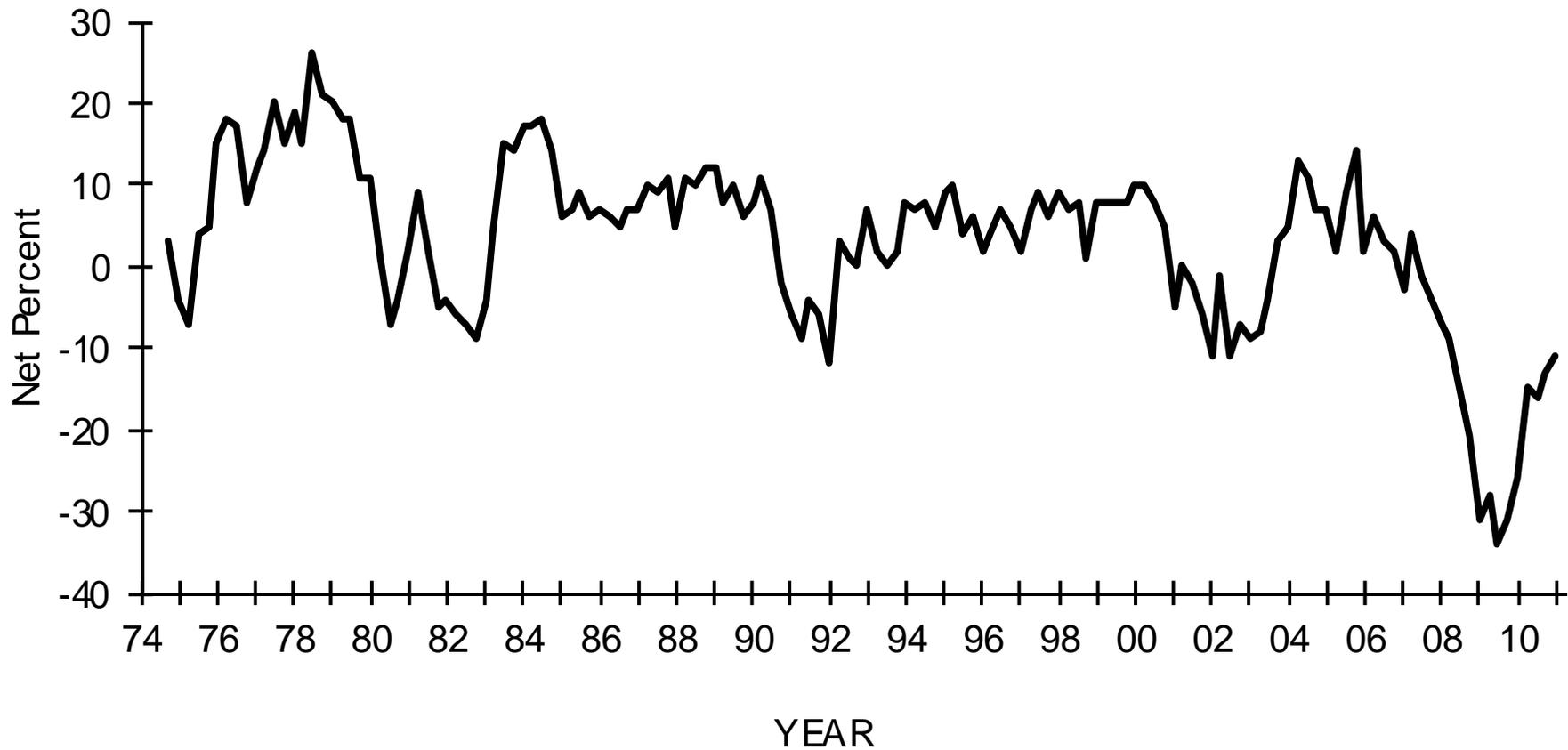


# The Central Issue? Tight Credit Markets or Poor Sales and Weak Credit Demand

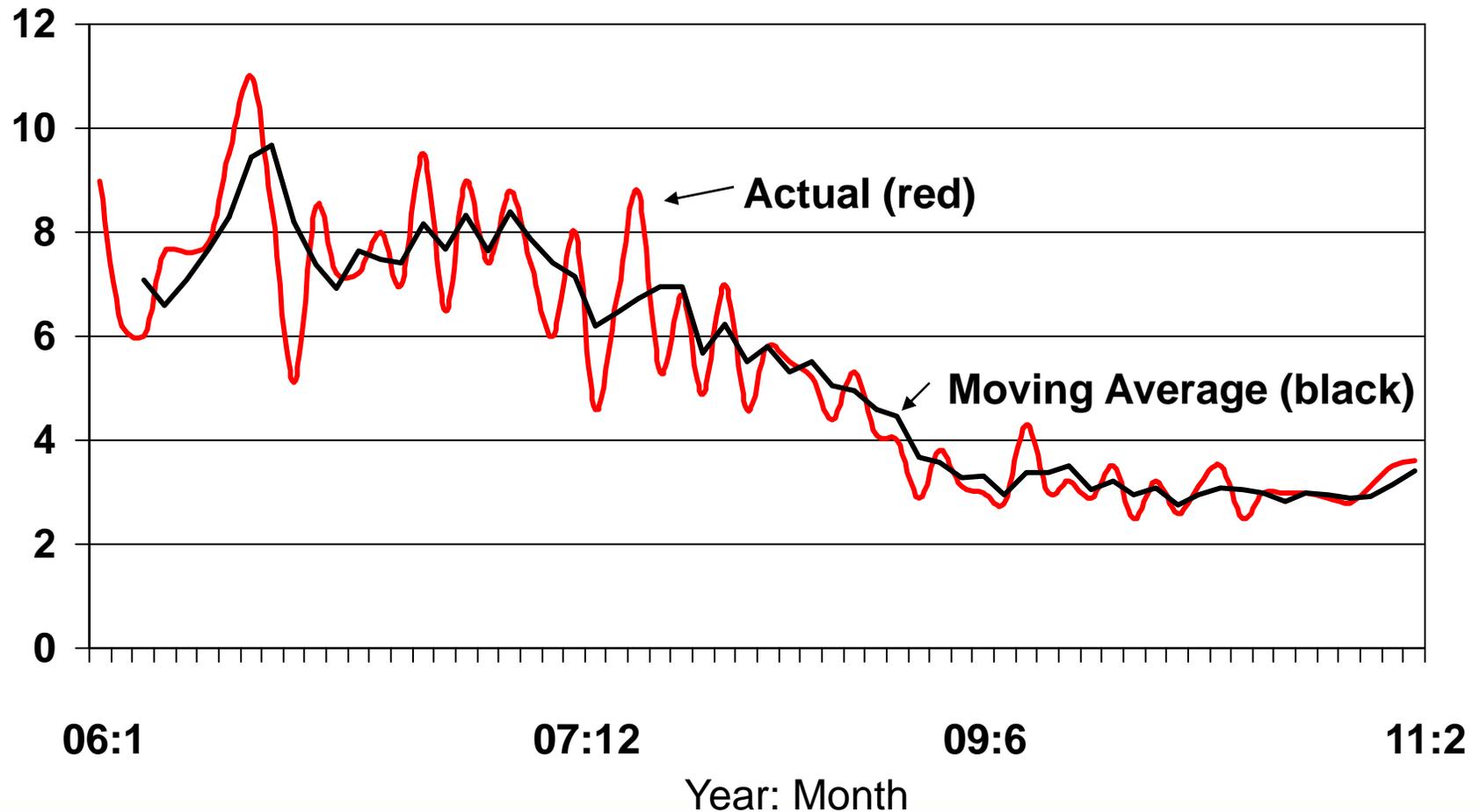
# Actual Sales Changes

## Last Three Months Compared to Prior Three

*January 1974 to January 2011*



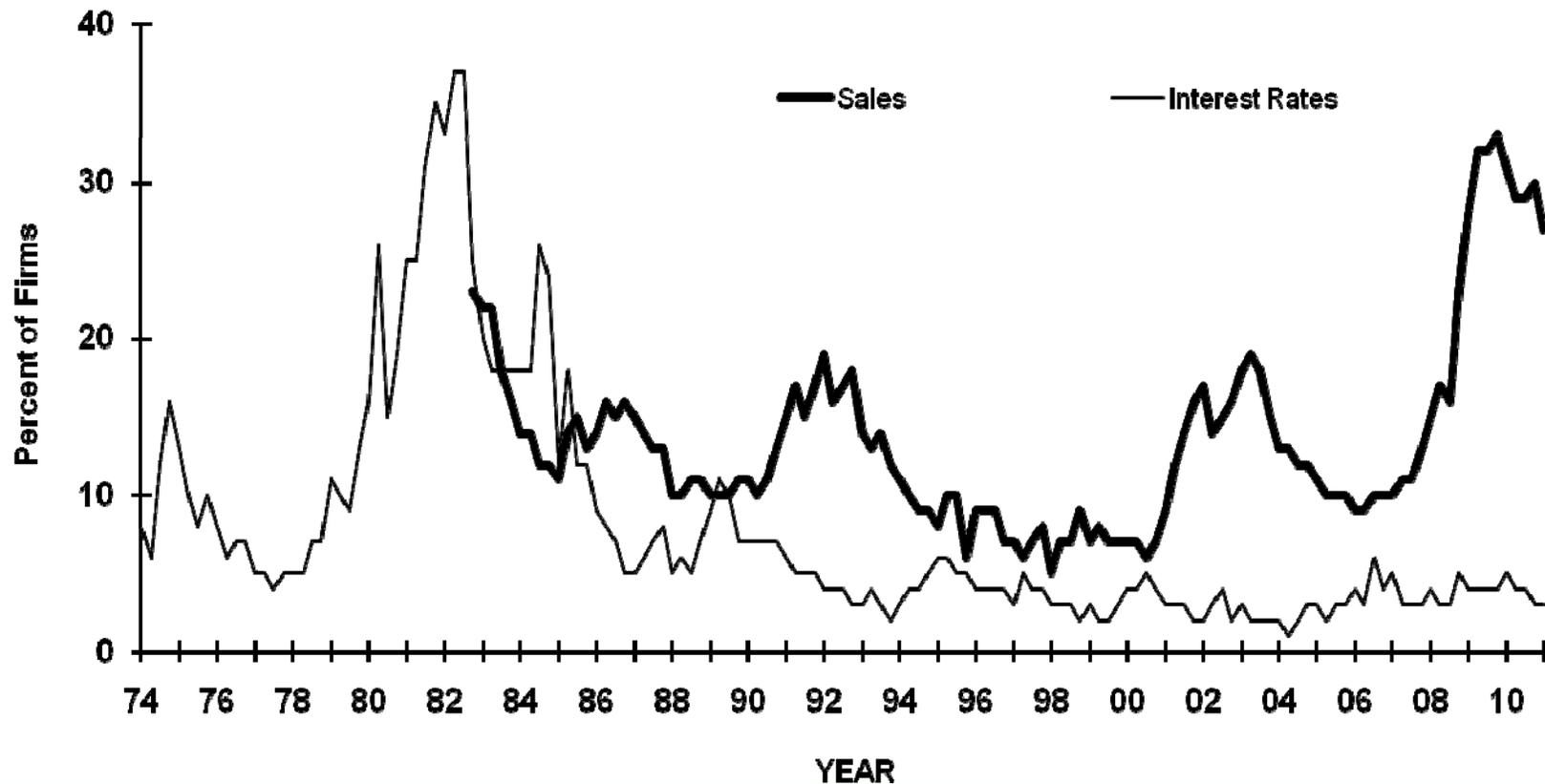
# Ratio of Satisfied to Unsatisfied Small Business Borrowers



# Single Most Important Problem

## Sales and Finance/Interest Rates

*January Quarter 1974 to January Quarter 2011*



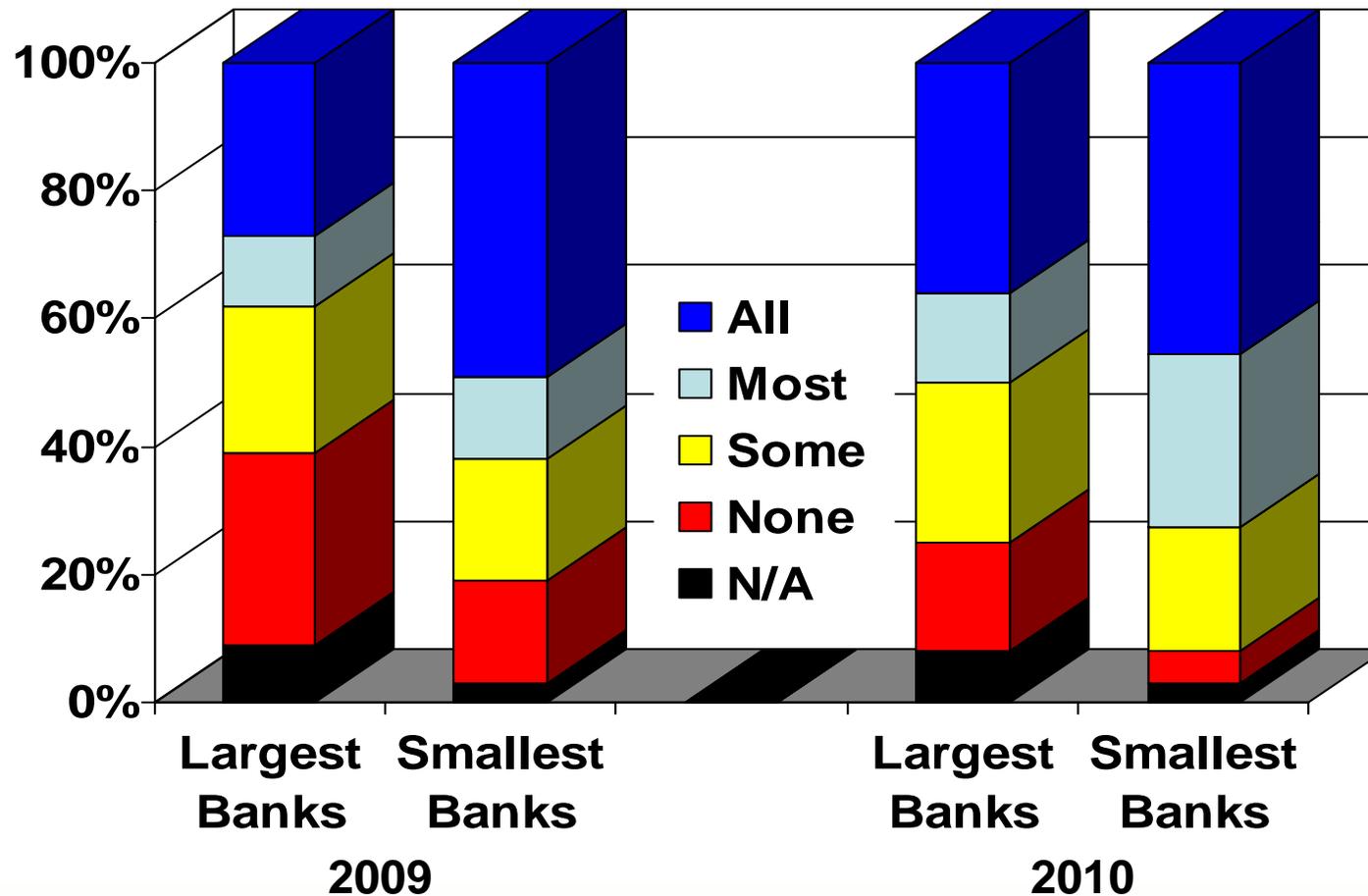
# Success Obtaining Credit: Those Attempting to Borrow and Not

<u>Success Obtaining Credit</u>	<u>2009 Try to Borrow</u>	<u>2009 All Firms</u>	<u>2010 Try to Borrow</u>	<u>2010 All Firms</u>
<i>All credit wanted</i>	40%	22%	41%	20%
<i>Most credit wanted</i>	10	6	19	9
<i>Some credit wanted</i>	21	12	18	9
<i>No credit wanted</i>	23	13	16	8
<i>DK/Refused</i>	5	3	6	3
<i>Total</i>	100%	55%	100%	48%
	<u>Did Not Try</u>		<u>Did Not Try</u>	
<i>Didn't want to borrow</i>	88%	39	81%	42%
<i>Discouraged borrower</i>	11	5	15	8
<i>DK/Refused</i>	1	*	4	2
<i>Total</i>	100%	45%	100%	52%
<b>Total</b>		<b>100%</b>		<b>100%</b>

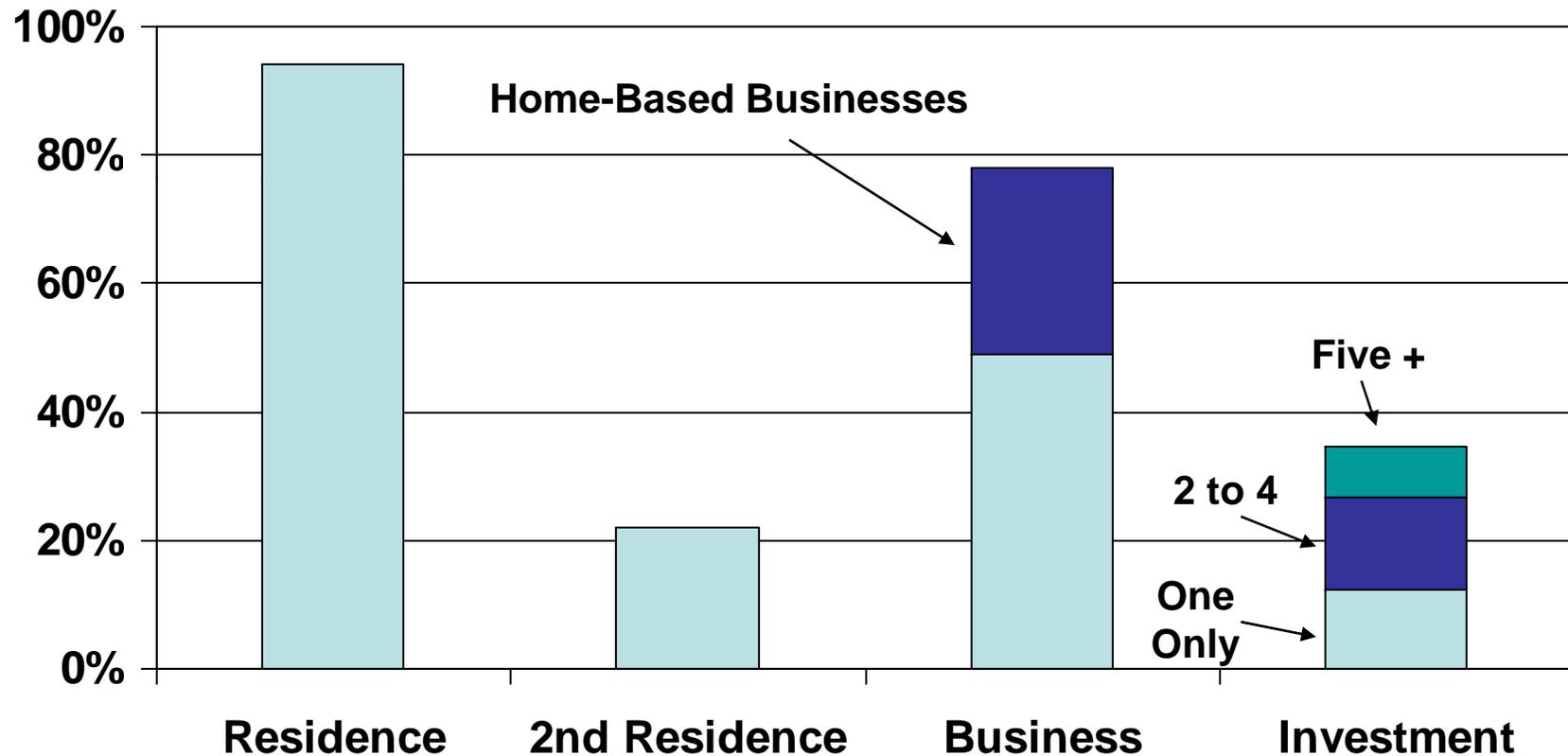
# Predictors of Borrowing Success

- Better credit scores
- Fewer credit types currently in use
- Fewer purposes for which credit is to be used
- Fewer mortgages outstanding
- Employment growth over the last three years
- More properties owned free and clear
- Not located in housing bubble states
- Not patrons of \$100 billion+ bank
- Not in Professional, Tech. or Scientific Servs.

# Small Business Credit Access by Size of Principal Bank Patronized and Year



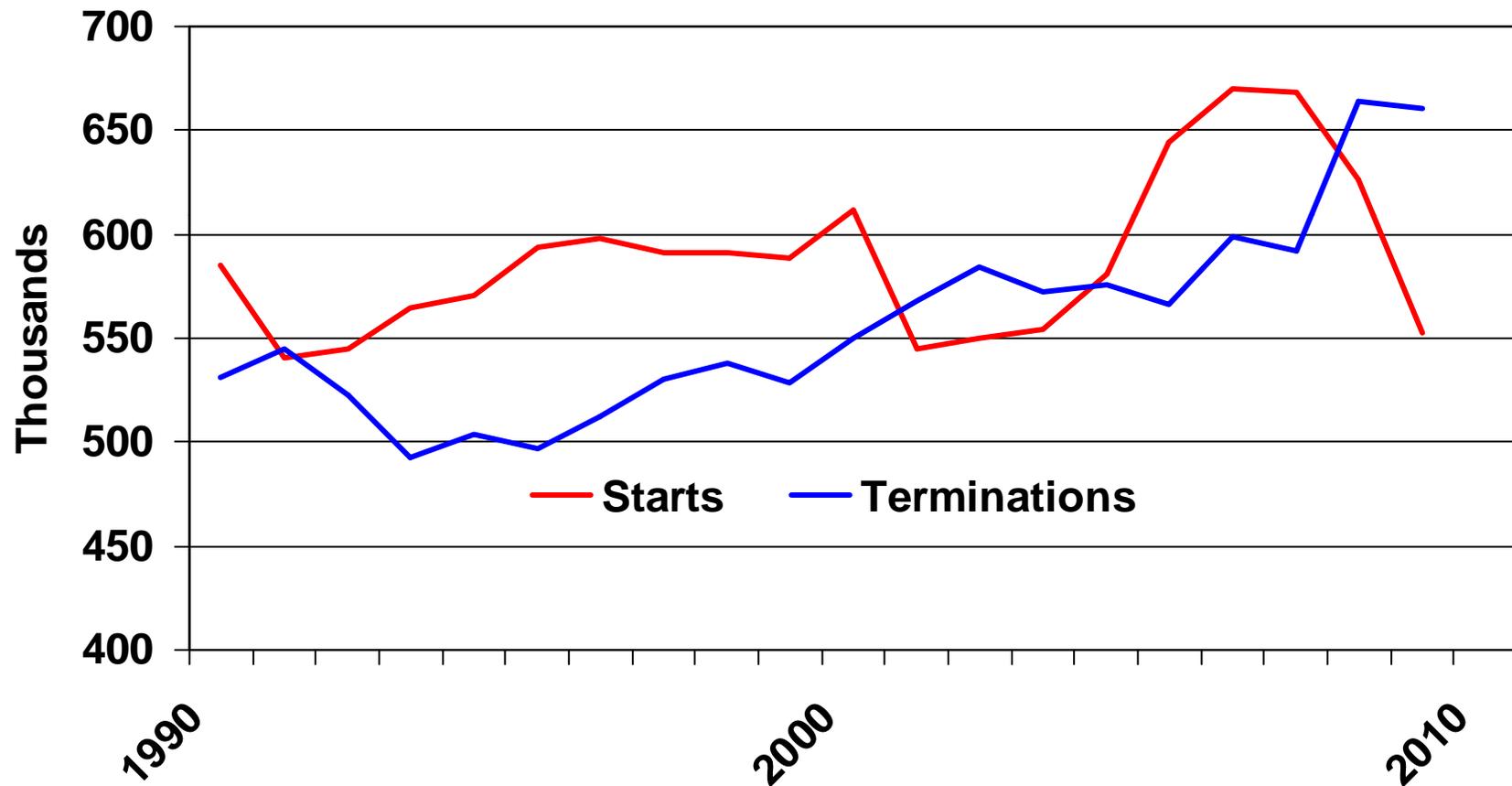
# Types of Real Estate Small Employers Own



# Real Estate Owned by Small Employers, Its Financing, and Business Use - 2010

<u>Characteristic</u>	<u>Summary</u>	<u>If at Least One Owned</u>	<u>If at Least One Mort.</u>
<i>Own (at least one property)</i>	95%		
<i>1<sup>st</sup> Mortgage</i>	68	71%	
<i>2<sup>nd</sup> Mortgage</i>	17	18	25%
<i>Upside-Down</i>	8	9	12
<i>Mortgaged for Bus. Purposes</i>	17	18	21
<i>Collateralized</i>	11	11	16

# Starts and Terminations of Employer Businesses



Source: Office of Advocacy, SBA

# Conclusion

- Small business economic conditions remain weak.
- The small business sector has lagged in the recovery.
- Sales, not credit, has been and remains the issue for most small businesses.
- Ownership of significant real estate assets continues to be a drag on the small business sector and will for a time.