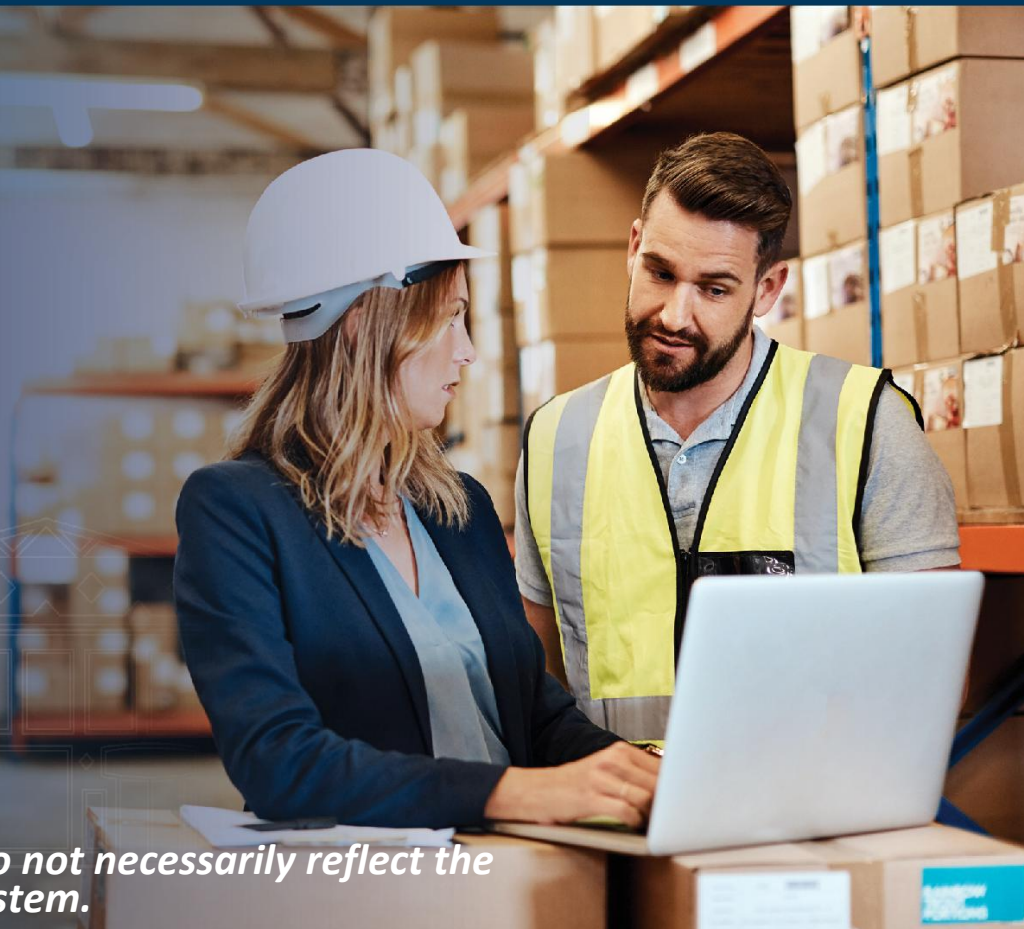


SMALL BUSINESS CREDIT SURVEY

2022 REPORT ON EMPLOYER FIRMS

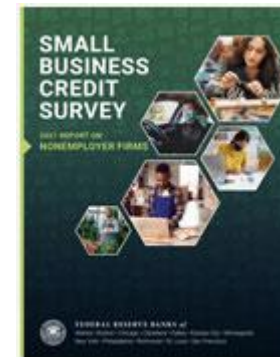
Alex Marre, Federal Reserve Small Business Credit Survey
alex.marre@clev.frb.org



The views expressed are those of the presenter and do not necessarily reflect the views of the Federal Reserve System.

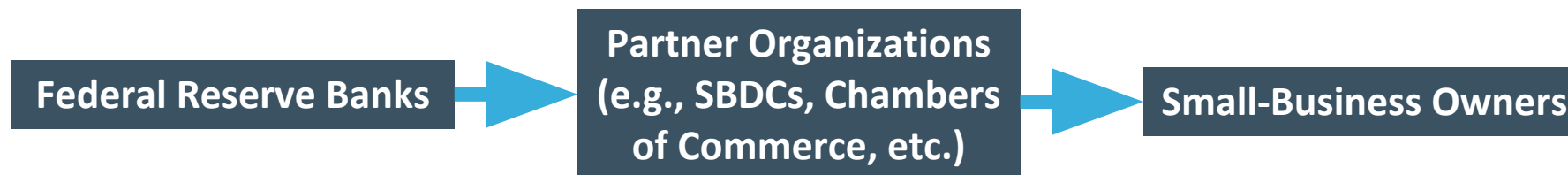
Overview of the Small Business Credit Survey

- The SBCS is the Fed's annual, national survey of small businesses (<500 employees) that captures business conditions, financing needs, and credit outcomes.
- Administered nationally since 2016 through a collaboration of the Community Development Departments at all 12 Federal Reserve Banks, with support from the Board of Governors.
- Nationally-representative reports and aggregated data are published externally on fedsmallbusiness.org.



Survey Governance and Data Collection

- System leadership of the SBCS transitioned from the New York Fed to the Cleveland Fed in 2020. As of 2021, the national SBCS team leads survey administration in collaboration with System partners.
- The SBCS is fielded over an 8- to 10-week period each year from September through November.
 - The national SBCS team and Reserve Banks work with national & regional partner organizations to recruit respondents.
 - Data are collected through Qualtrics, and the survey is available in English and Spanish.



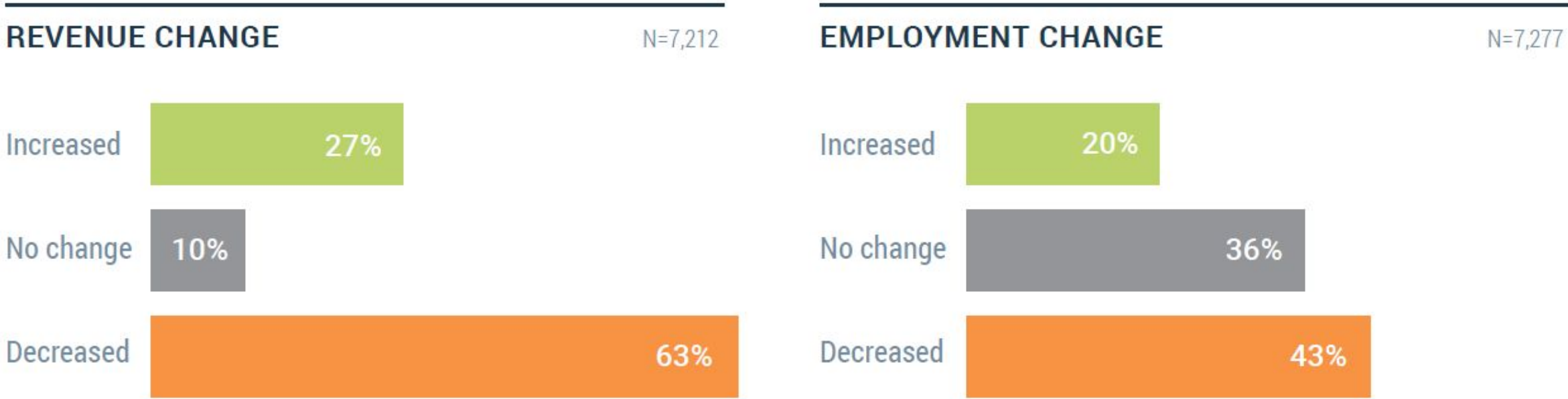
- The survey typically collects 10,000-15,000 responses each year, including responses from pre-start and permanently closed businesses.
- Survey data are weighted to match the distribution of firms in the US on select firm characteristics: employee size, industry, geography, gender and race/ethnicity of the business owner
 - Employers and nonemployers are weighted separately

Poll #1

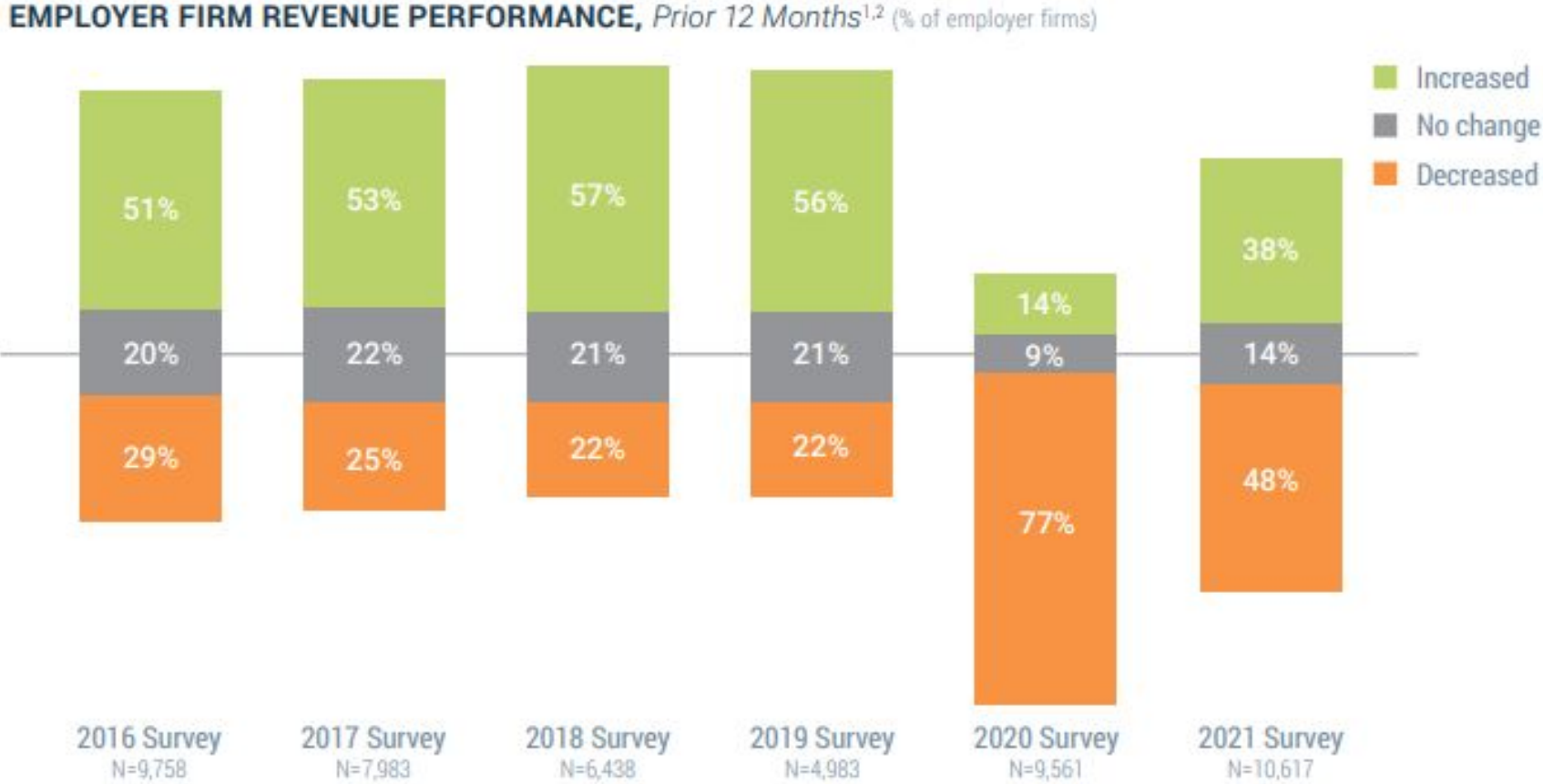
- How many employees does your business have?
 - A. 0
 - B. 1-499 employees
 - C. 500+ employees

Small businesses were hit hard by the pandemic...

EMPLOYER FIRM REVENUE AND EMPLOYMENT CHANGE SINCE 2019 (% of employer firms open since 2019)



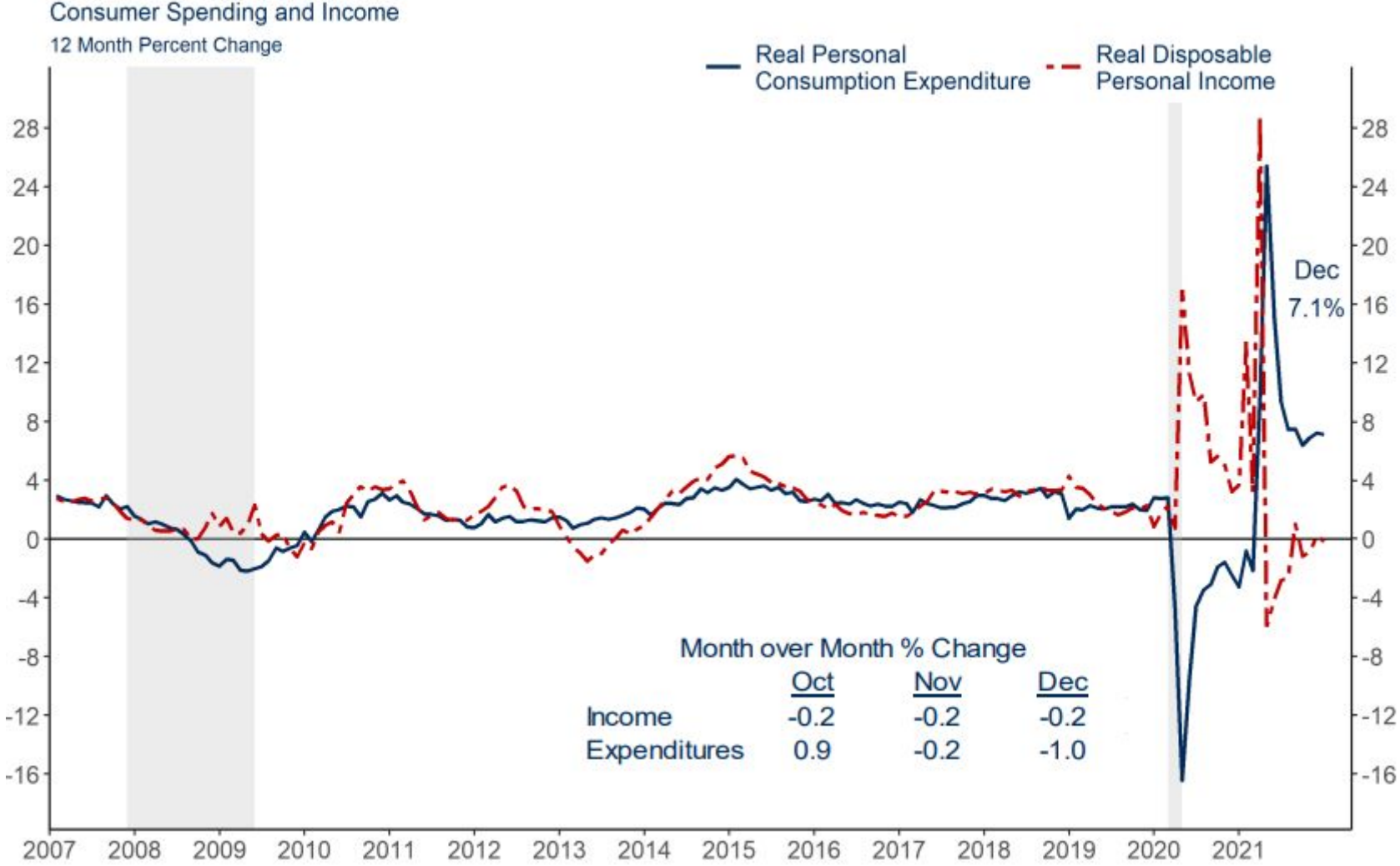
...but we are seeing improvement for businesses that are open.



Poll #2

- What is your revenue forecast for 2022 compared to 2021?
 - A. Decline
 - B. No change
 - C. Increase

Strong demand is playing an important role...



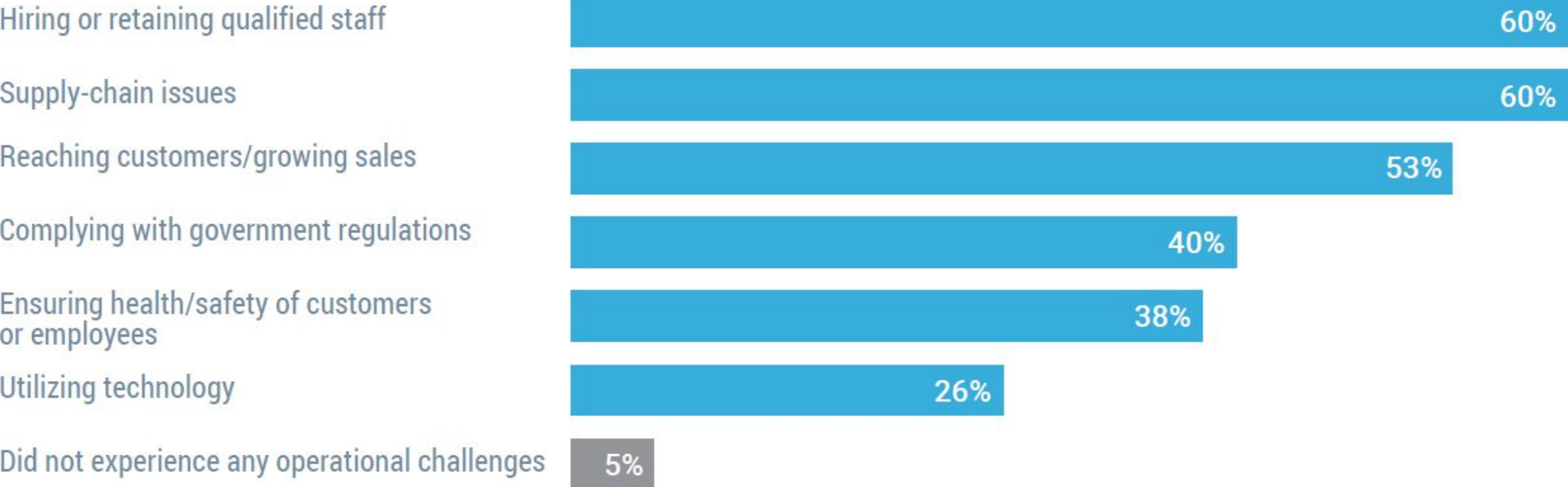
...but consumer spending will likely return to normal.



Hiring and supply chain issues are top concerns...











TOP OPERATIONAL CHALLENGES, *Prior 12 Months* (% of employer firms)





N=10,870



...but top operational challenges vary by industry.

TOP OPERATIONAL CHALLENGES, Prior 12 Months, Select Industries^{2,3} (% of employer firms)

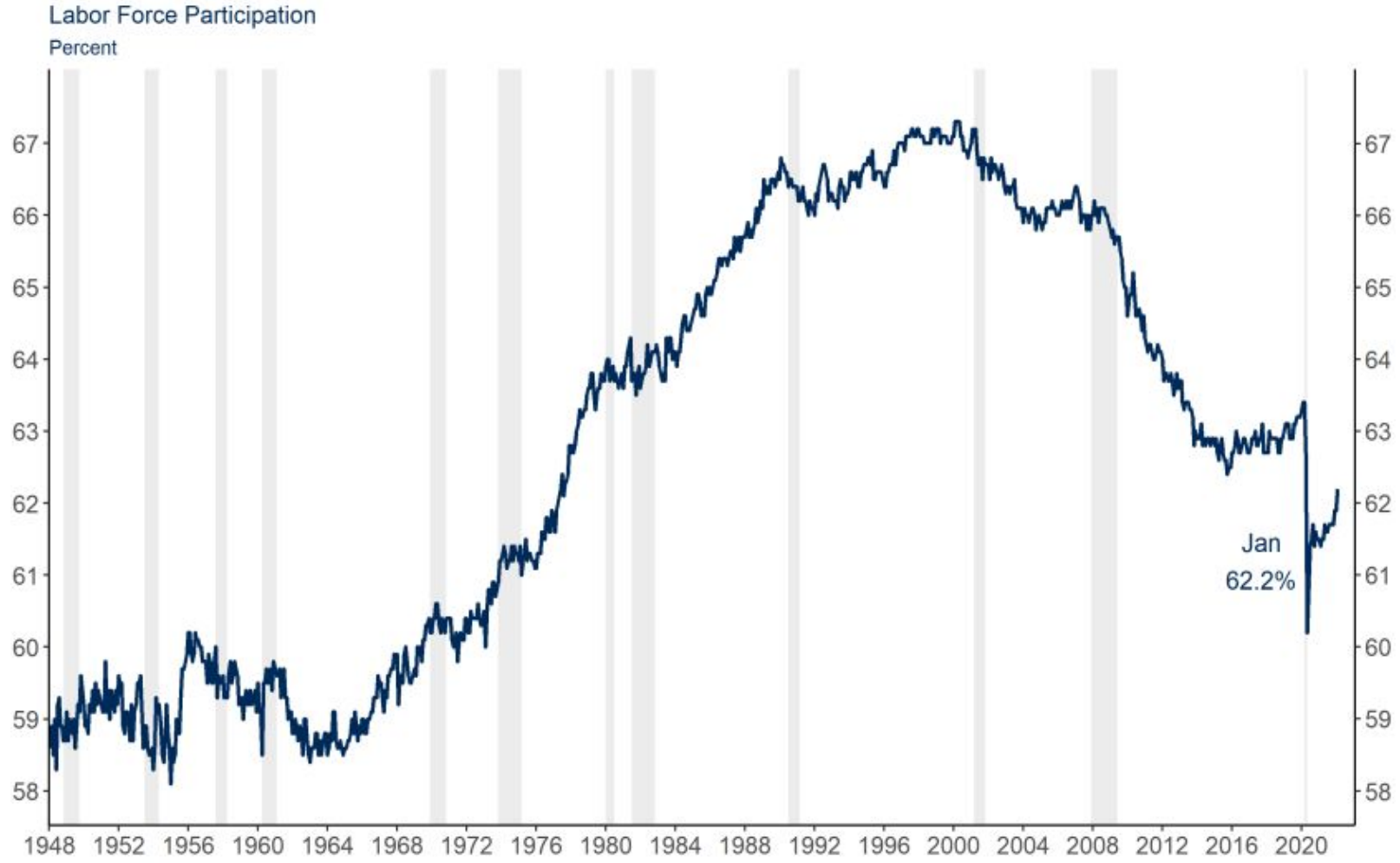
	Largest challenge	Second largest challenge
Manufacturing N=1,106	 87%	 63%
Retail N=1,211	 84%	 56%
Leisure and hospitality N=1,763	 77%	 76%
Healthcare and education N=1,455	 67%	 55%
Professional services and real estate N=1,836	 57%	 47%

 Supply-chain issues	 Hiring or retaining qualified staff	 Reaching customers/ growing sales	 Ensuring health/safety of customers or employees
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Poll #3

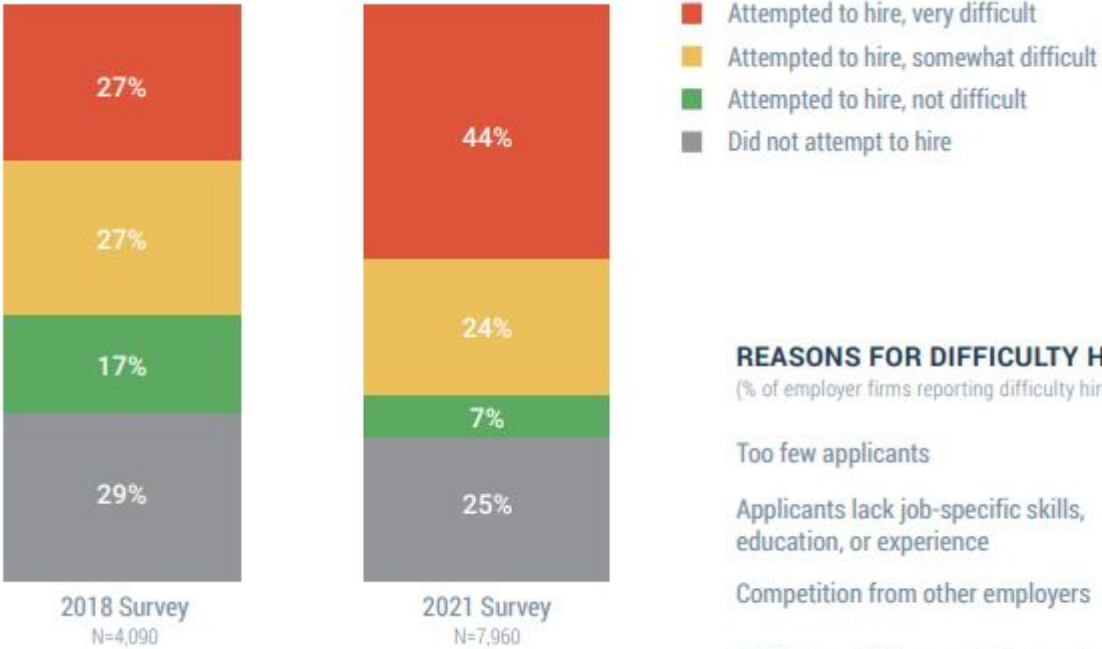
- What is the top operational challenge facing your business?
 - A. Supply chain issues
 - B. Hiring
 - C. Reaching customers and growing demand
 - D. Regulations
 - E. Ensuring health and safety of employees and customers
 - F. Other

Labor markets are tight...



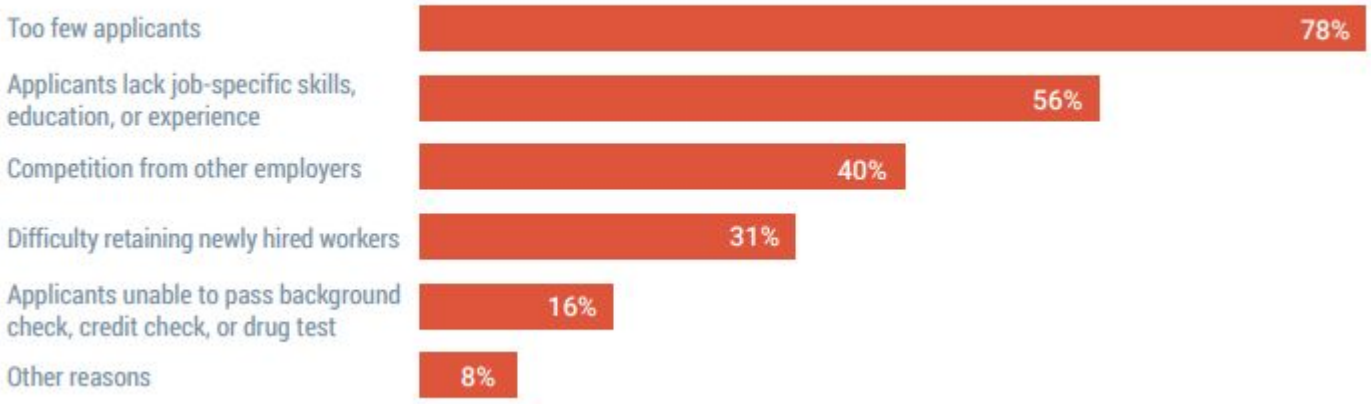
...which translates to hiring challenges.

DIFFICULTY HIRING NEW WORKERS, Prior 12 Months, By Year¹ (% of employer firms)

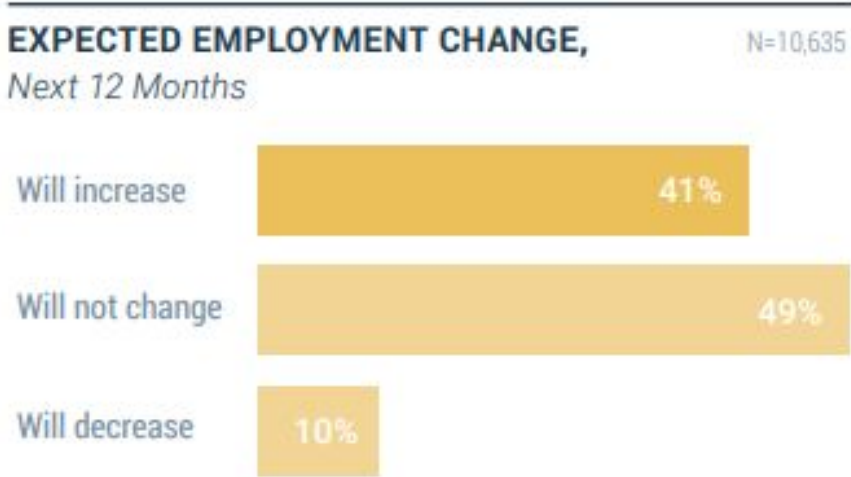
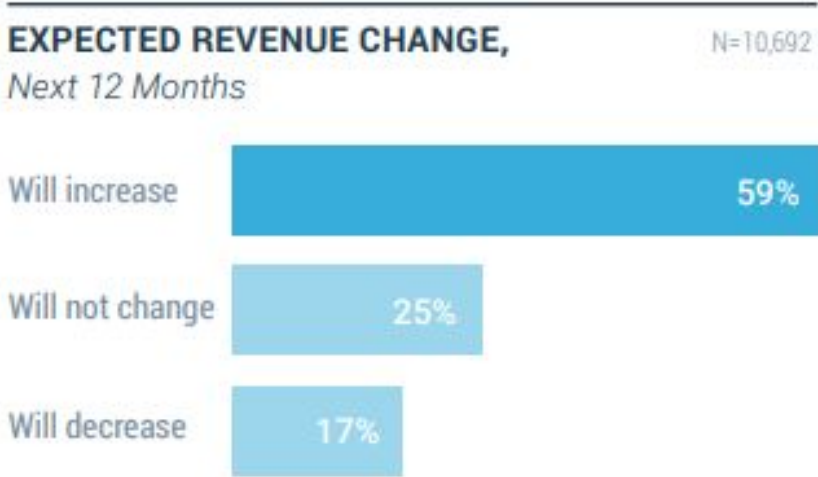


REASONS FOR DIFFICULTY HIRING WORKERS, Prior 12 Months, 2021 Survey^{1,2}

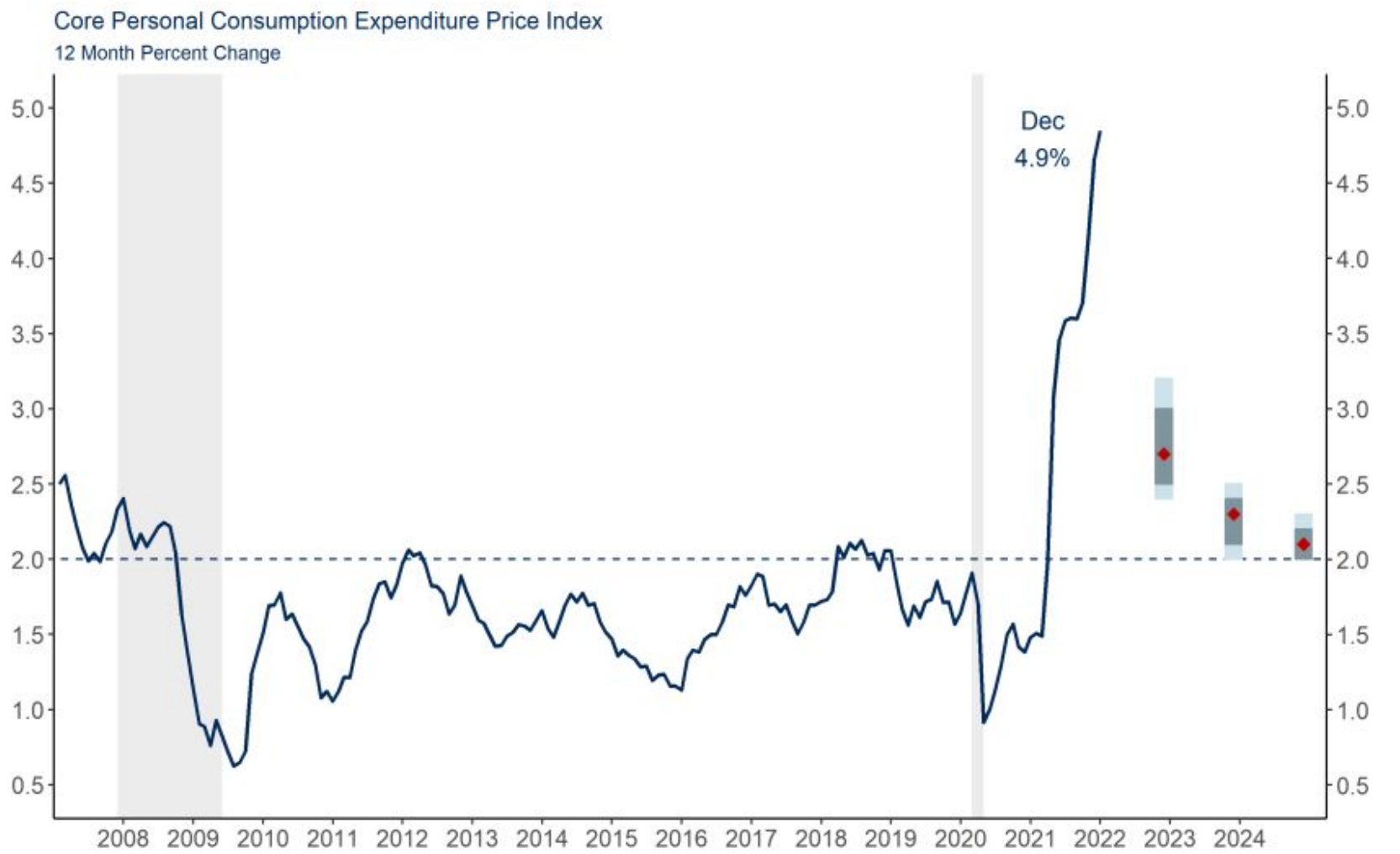
N=5,654



Employer small businesses are more bullish about demand than labor availability.



Supply chain issues and inflation are challenges, too.

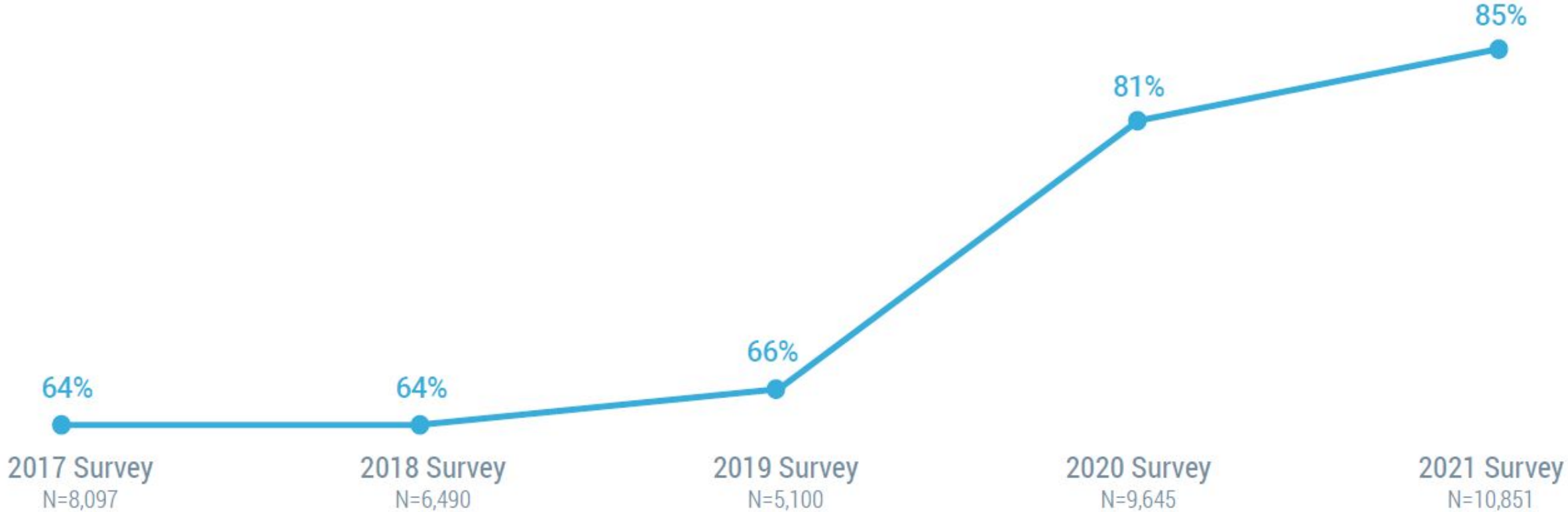


Poll #4

- Do you think supply constraints will ease by the end of Q2?
 - A. Yes
 - B. No

Financial challenges haven't abated...

SHARE OF FIRMS WITH FINANCIAL CHALLENGES, *Prior 12 Months* (% of employer firms)

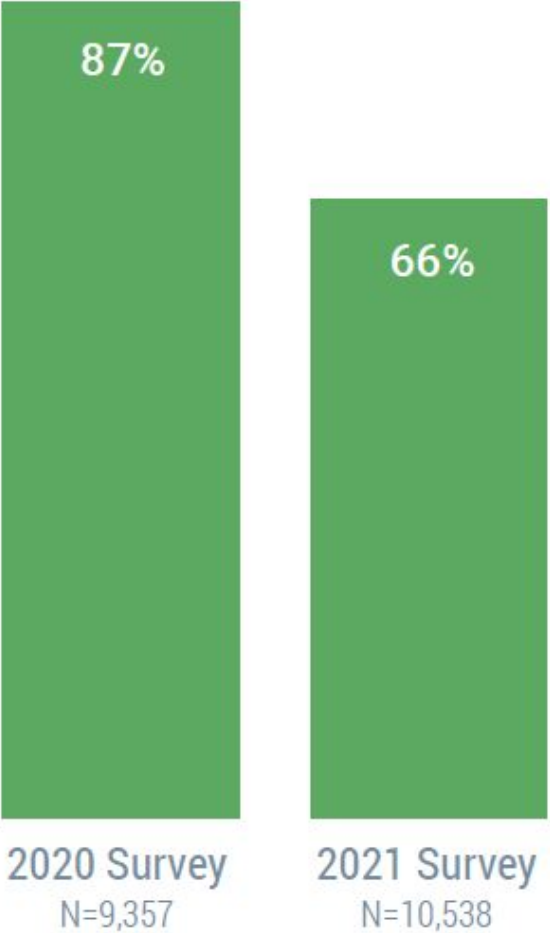


...but use of financial assistance is on the decline.

SHARE OF FIRMS THAT SOUGHT FINANCIAL ASSISTANCE, *Prior 12 Months* (% of employer firms)



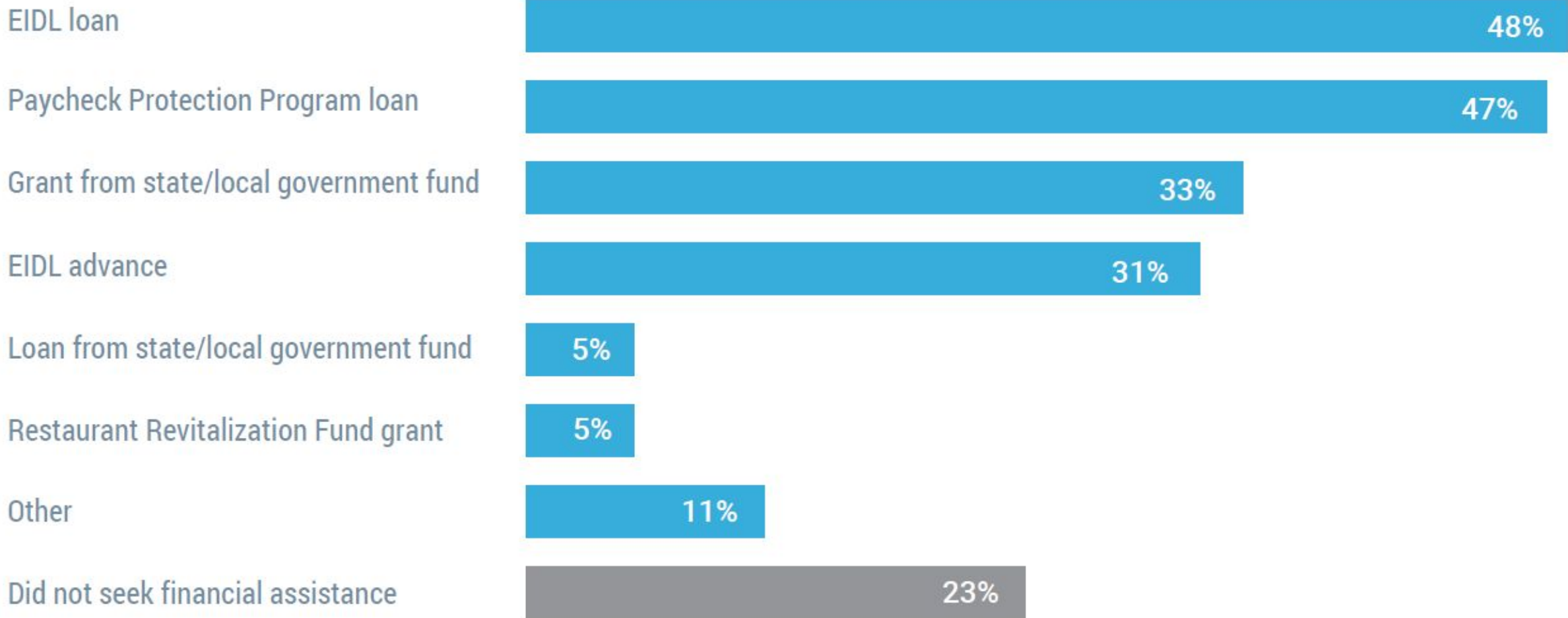
SHARE OF FIRMS THAT RECEIVED FINANCIAL ASSISTANCE, *Prior 12 Months* (% of employer firms)



TYPES OF FINANCIAL ASSISTANCE SOUGHT, *Prior 12 Months*

N=10,760

(% of employer firms)

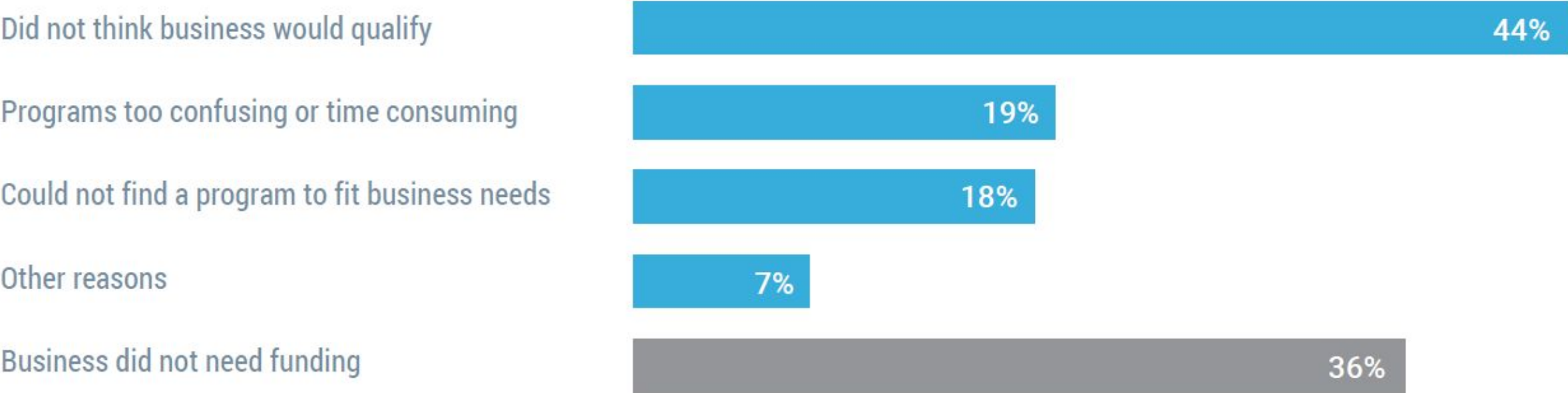


Concerns about qualifying was an important factor in not seeking financial assistance.

REASONS FIRMS DID NOT SEEK FINANCIAL ASSISTANCE, *Prior 12 Months*

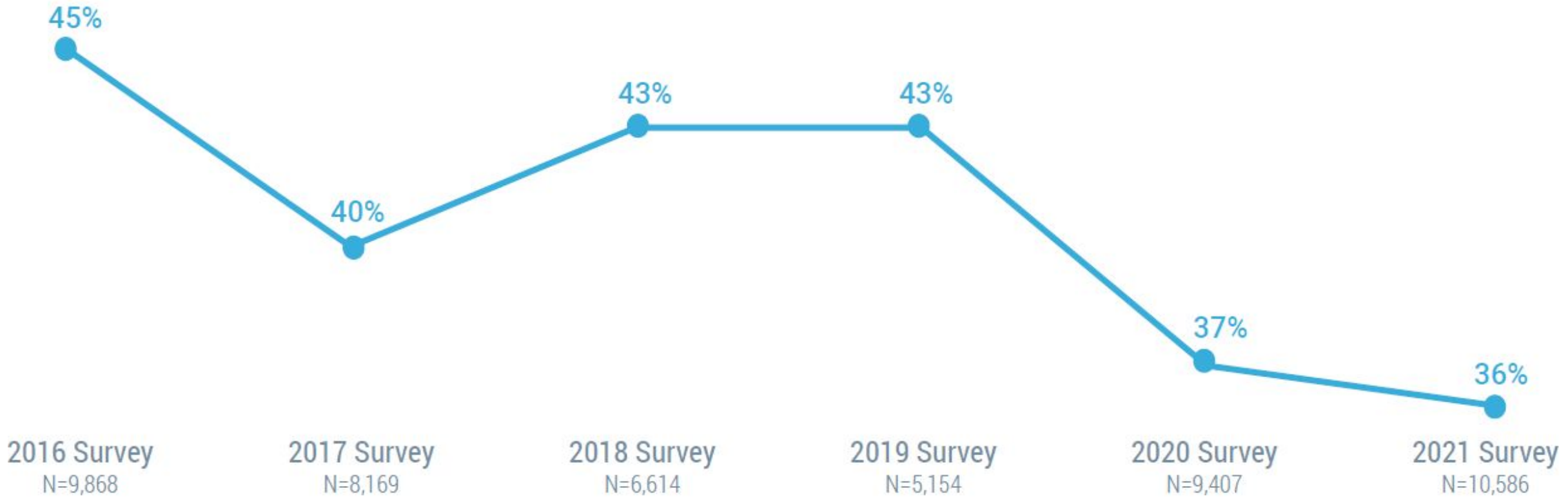
N=1,817

(% of employer firms that did not apply for assistance)

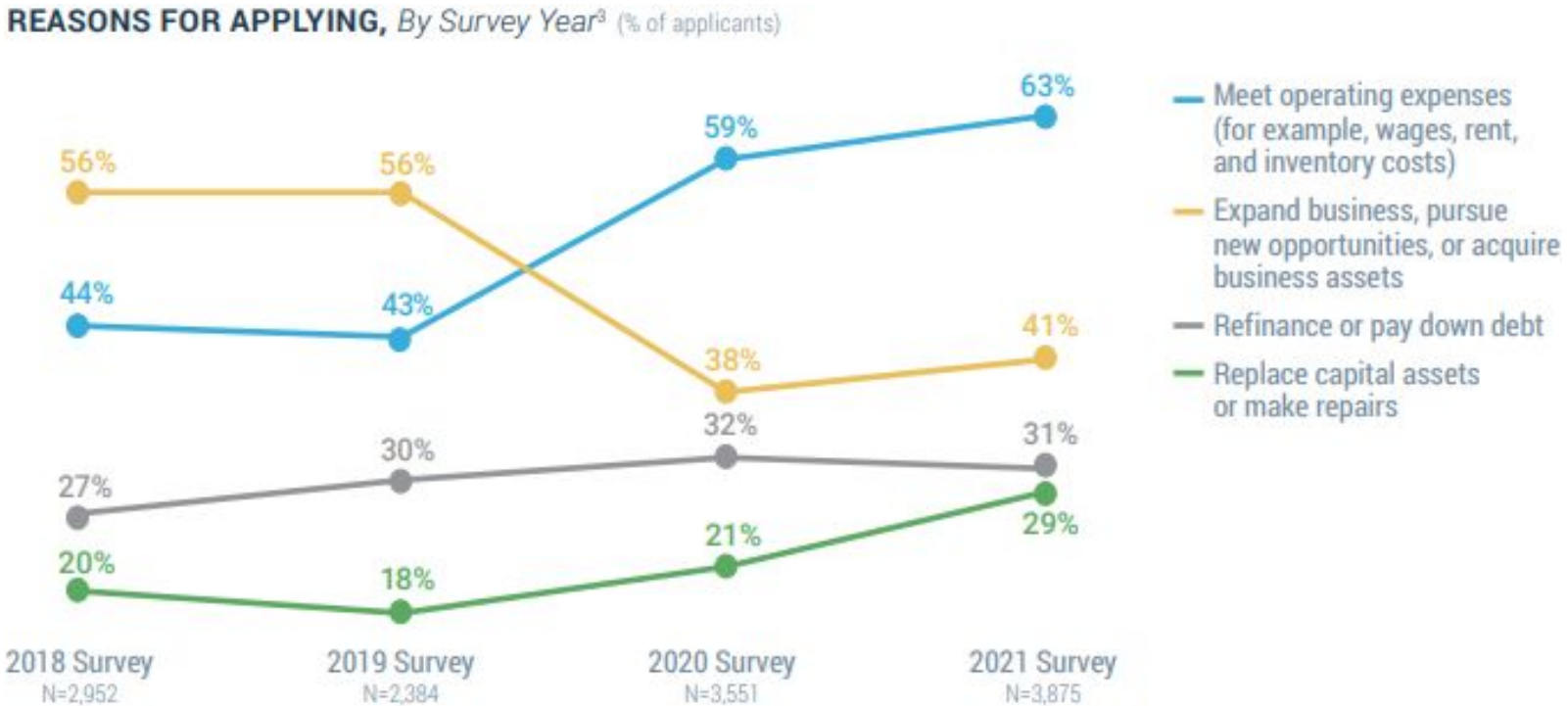


Meanwhile, financing is declining, too...

SHARE THAT APPLIED FOR FINANCING, *Prior 12 Months* (% of employer firms)



...although it was increasingly used to meet operating expenses.



Poll #5

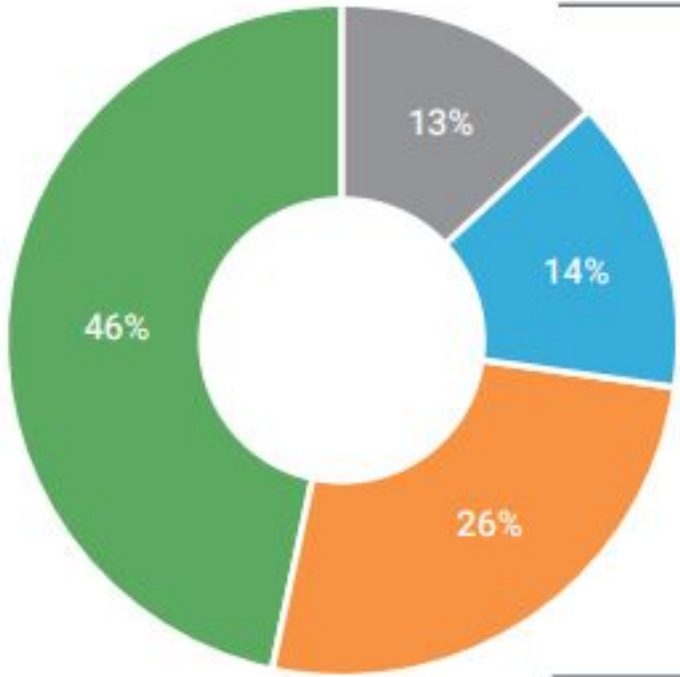
- Did your business use financing to meet operating expenses last year?
 - A. Yes
 - B. No

The majority – 64% – of firms did not apply for financing...

TOP REASONS FIRMS DID NOT APPLY FOR FINANCING^{1,2} (% of nonapplicants)

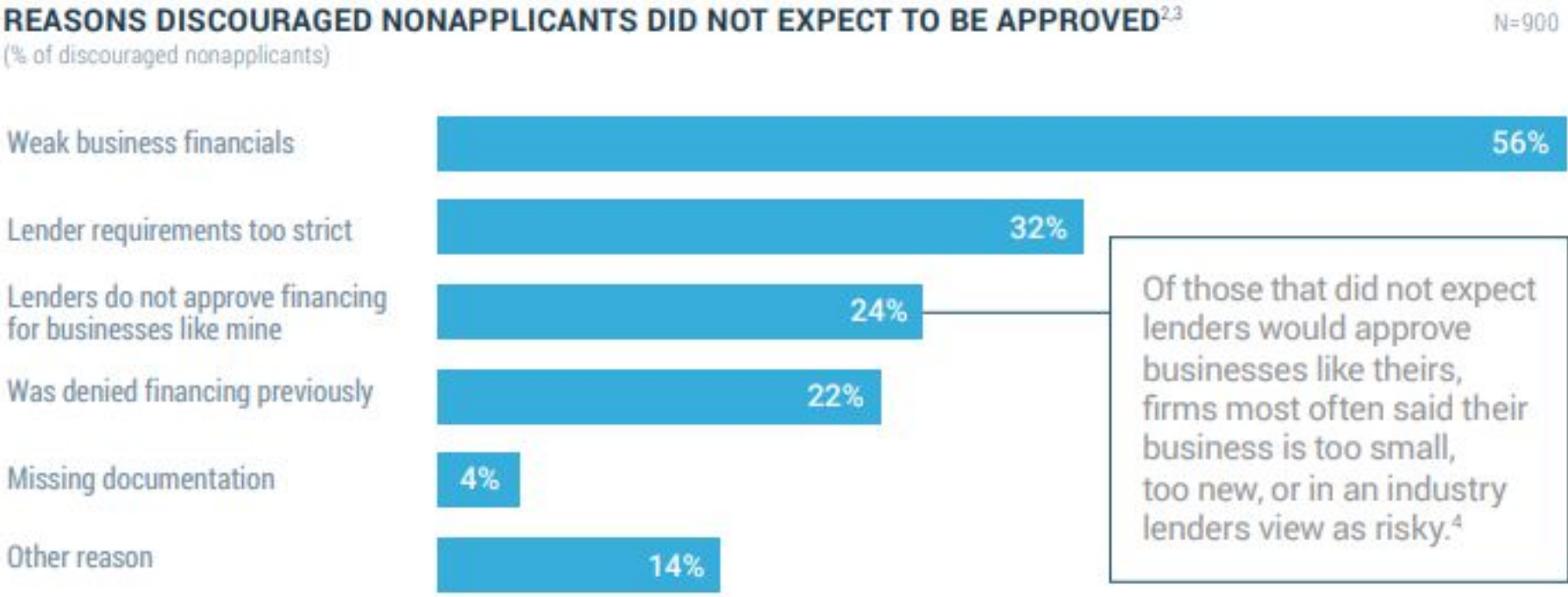
N=6,538

- Had sufficient financing
- Debt averse
- Discouraged
- Other

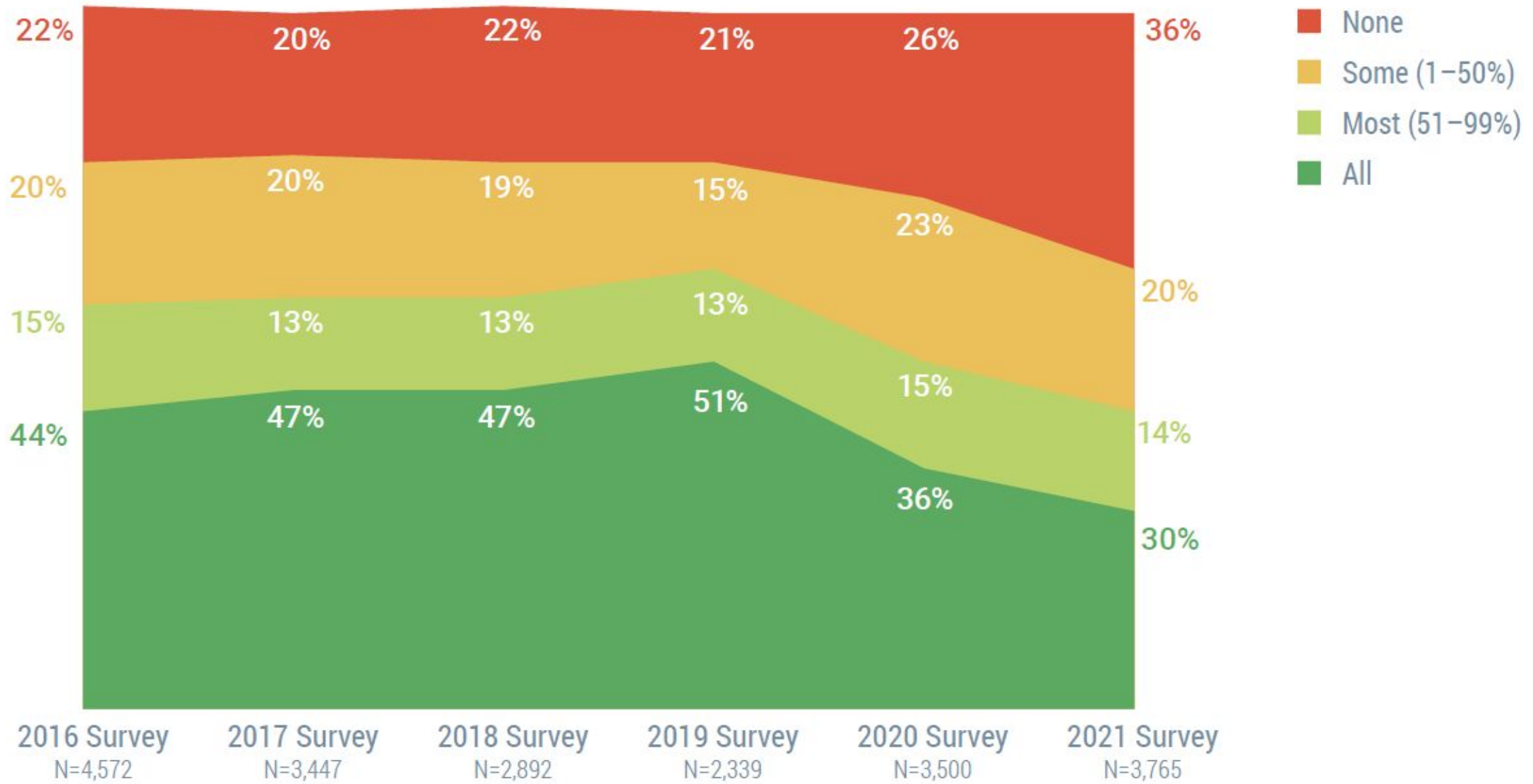


54% of nonapplicants needed funds but chose not to apply

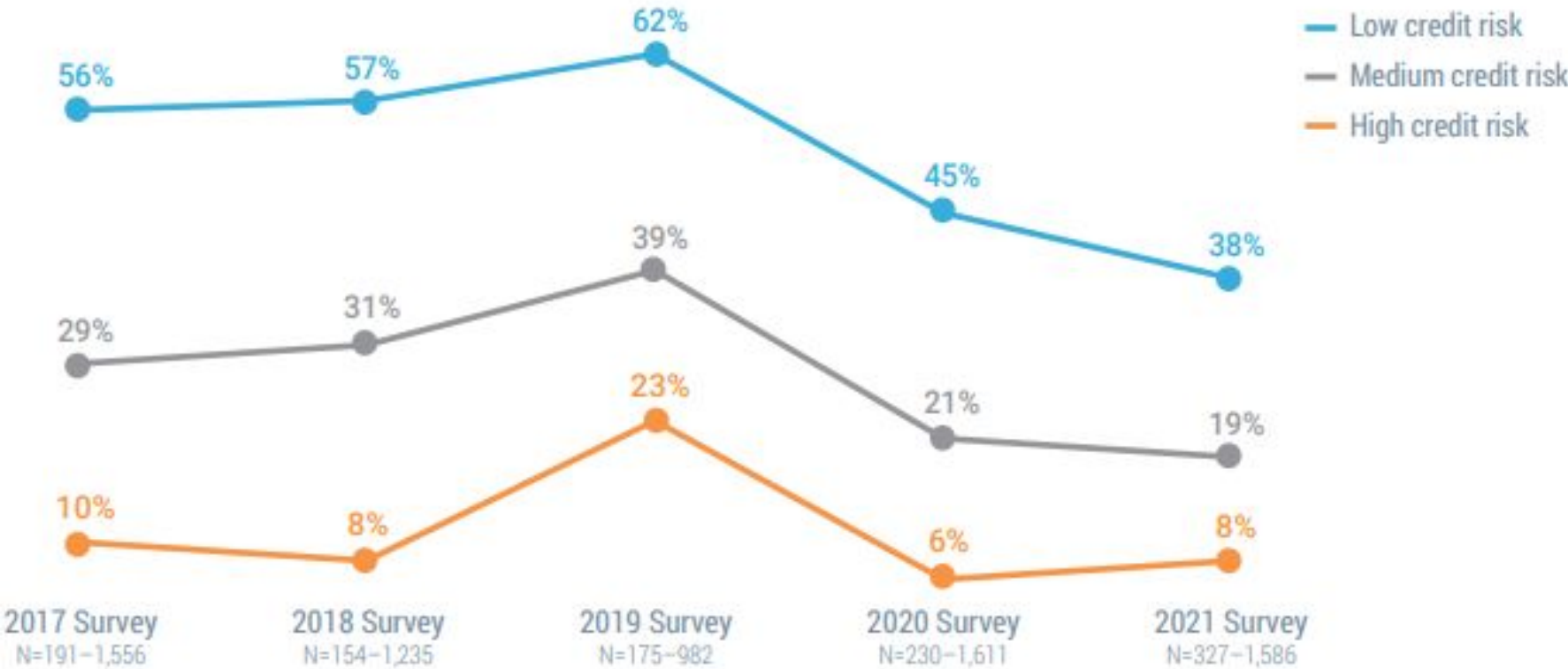
...and weak business financials was a top concern for discouraged nonapplicants.



TOTAL FINANCING RECEIVED (% of applicants)



SHARE RECEIVING ALL FINANCING SOUGHT, *By Credit Risk of Firm*² (% of applicants)



Concluding Remarks

- Small businesses show signs of weathering the pandemic. Those that remain opened appear to be in better condition than last year.
- As with the economy as a whole, tight labor market conditions and inflationary pressures are concerns. Strong demand is part of the problem but also part of the solution. We have additional information on workforce challenges that will be released at a later date.
- Financial assistance programs helped many businesses stay open, but many of those programs have closed. Traditional financing also helped sustain employer small businesses, but applications and approvals are down. We need more research into the characteristics of discouraged nonapplicants and what implications that will have for the overall economy.
- Other COVID variants and turmoil in Ukraine are sources of uncertainty.