

Small Business Lending: Fourth Quarter 2011

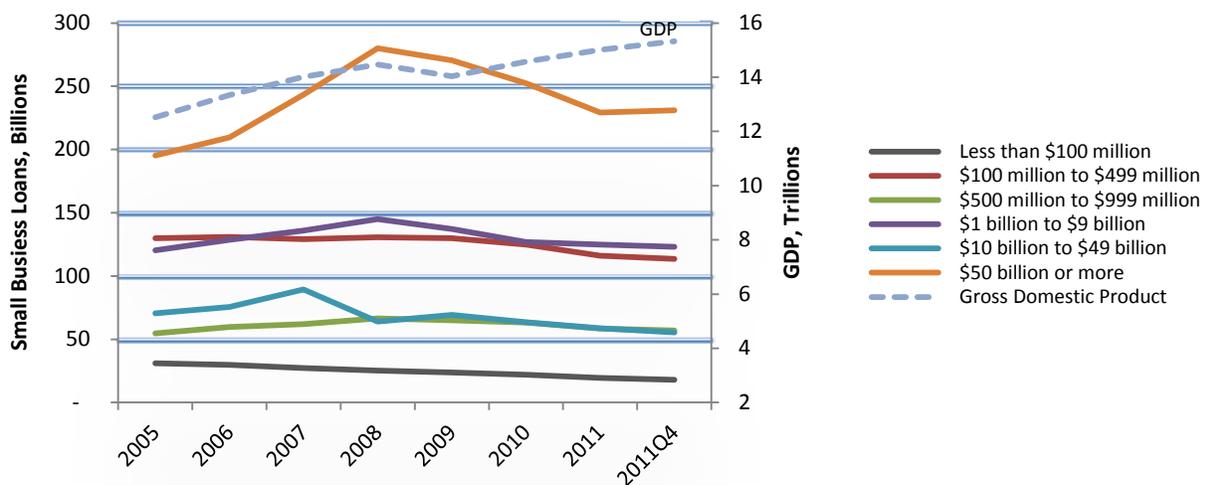
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Borrowing remained challenging for small businesses in fourth quarter 2011, even as the pace of economic activity increased and financial conditions overall were supportive of growth. Economic indicators such as gross domestic product and total business lending continued on a slow upward trend. The recovery of small firms has been slow because of their inability to access credit markets.

The rate of decline in the dollar value of small business loans outstanding (loans under \$1 million) was much slower, at negative 0.3 percent in the fourth quarter of FY 2011, compared with a decline of 1.2 percent in the previous quarter based on the latest Call Report data (not shown). Small business loans totaled \$597.8 billion in the fourth quarter. The value of small business commercial and industrial (C&I) loans increased for the first time in seven quarters, with micro C&I loans (less than \$100,000) accounting for most of the growth. On net, bankers reported eased pricing terms on C&I loans, as well as increased demand from small firms. Demand rose to its highest level since 2005.¹

Depository lending institutions with consolidated assets over \$50 billion continued to dominate the small lending market. Total small business loans outstanding by megalenders increased for the third consecutive quarter, while lending in all other asset size categories declined (see chart). The overall small business financing environment remained weak.

**Small Business Lending by Bank Asset Size and Gross Domestic Product
(Nominal) June 2005 - December 2011**



Source: U.S. Small Business Administration, Office of Advocacy, based on Call Reports from the Federal Deposit Insurance Corporation.

¹ January 2012, Federal Reserve Board, Senior Loan Officers' Survey.

The *Quarterly Lending Bulletin* is produced in the Office of Economic Research of the Office of Advocacy. Thanks to George Haynes for his comments and input. Direct questions to victoria.williams@sba.gov or (202) 205-6533. See the Advocacy publication, *Small Business Lending in the United States, 2009-2010*, for state rankings of small business lenders (www.sba.gov/content/banking-study-2010) and *Frequently Asked Questions about Small Business Finance* for basic information about the financial ecosystem (www.sba.gov/advocacy/9601).