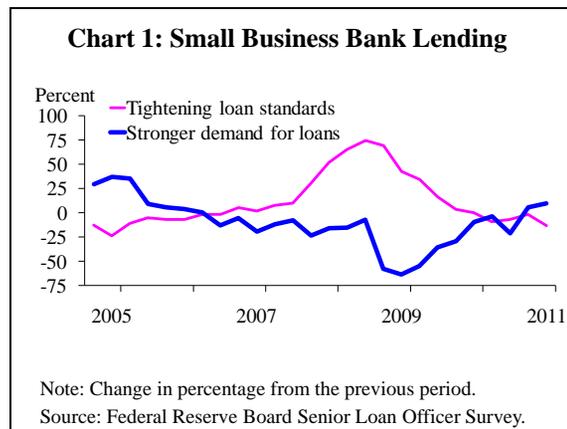


Small Business Quarterly Bulletin

Third Quarter 2011
by Brian Headd, Economist

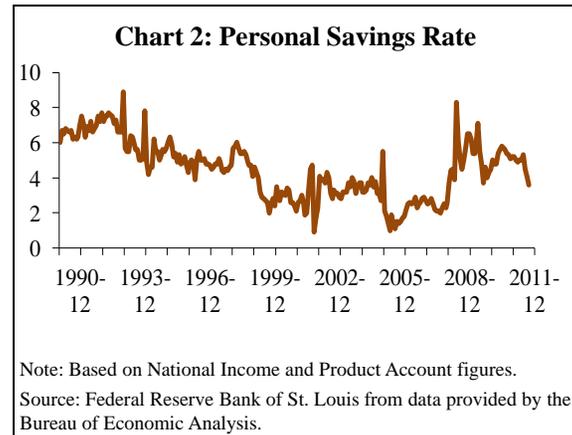
While there was some media discussion of a declining economy over the summer, the big three economic figures disagreed. From the second quarter to the third quarter, output was up, inflation was down and the unemployment rate was slightly down.

Financing for small businesses is showing modest improvements. Bankers report that small business loan demand (Chart 1) and commercial and industrial loans outstanding (which include loans to large firms) increased in each quarter of 2011. Although improving, the financing environment still seems weaker today than the official end of the downturn in mid-2009.

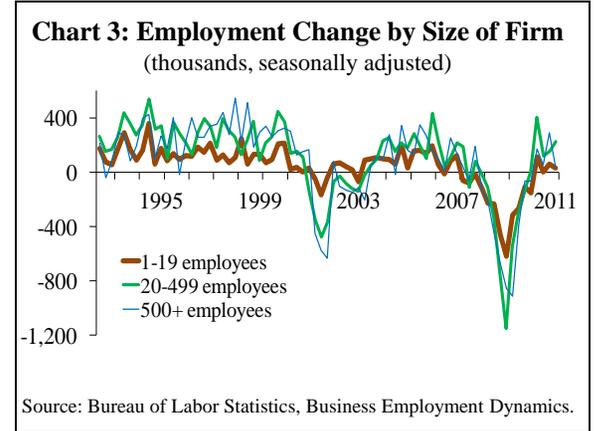


Sales were up. Manufacturing and trade sales have risen every quarter since mid-2009.

While sales have been up recently, small businesses do have a long-term worry about future sales. A double whammy of a graying population and the increasing personal savings rate returning to early-1990s levels, a direction it has taken in recent years (Chart 2), could lead to relatively lower sales over the next ten years and beyond. (Note that with retirement savings not included but retirement spending included, the figure could seem artificially low with a large share of our population retired in the future.)



Small businesses with 20-499 employees are leading the charge in increasing private-sector employment (Chart 3). From the second quarter of 2010 to the first quarter of 2011 (the latest firm size data available), private-sector employment rose and these larger small businesses represented over 50 percent of the growth. Small businesses with fewer than 20 employees represented only 12 percent of the employment growth over this time period. Historically, this smaller size class has represented about a quarter of net employment increases. The larger size class of small businesses is the only one of the three size classes to record significant net employment growth since the end of the downturn.



See the table on the other side for the most recent small business data.

To learn more, visit Advocacy's website, www.sba.gov/advocacy, and the informative one-pager, Frequently Asked Questions, www.sba.gov/sites/default/files/sbfaq.pdf. For additional information, contact:

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	Quarterly Data									Annual Data (or Year End)								
	2009			2010				2011			1995	2000	2005	2006	2007	2008	2009	2010
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3								
Self-employed (000) * †																		
Unincorporated	10,079	9,959	9,622	9,632	9,977	9,680	9,309	9,476	9,627	9,249	10,482	10,214	10,464	10,586	10,413	10,080	9,831	9,681
Incorporated	5,316	5,368	5,520	5,446	5,254	5,036	5,263	5,169	5,155	4,950	na	4,459	5,254	5,499	5,735	5,784	5,466	5,191
Businesses, turnover																		
Establishments (000)																		
Births	177	169	182	175	179	188	200	183	–	–	751	826	867	870	845	786	701	722
Deaths	226	215	200	194	185	–	–	–	–	–	651	759	737	763	804	901	877	–
Business bankruptcies*	16,014	15,177	15,020	14,607	14,452	13,957	13,030	12,376	12,304	11,705	51,959	35,472	39,201	19,695	28,322	43,546	60,837	56,282
Employment																		
Nonfarm payroll (millions)	130.96	129.96	129.43	129.32	129.96	129.88	130.13	130.55	131.02	131.23	117.30	131.79	133.70	136.09	137.60	136.79	130.81	129.82
Net private-sector job creation (000)																		
Total‡	-1,653	-893	-238	-254	721	205	582	252	–	–	2,405	1,905	2,148	1,737	735	-3,575	-5,473	1,131
<20 employees	-315	-268	-109	-154	112	2	59	31	–	–	487	275	479	321	-33	-1,043	-1,312	-74
20-499 employees	-550	-299	-138	4	404	119	152	226	–	–	1,088	772	756	801	370	-1,212	-2,134	646
500+ employees	-911	-390	-63	-63	170	54	291	43	–	–	830	905	910	508	304	-1,475	-2,224	449
Finance, Sales & Income (\$billion unless noted)																		
Tightening lending standards (percent of responses)	42.3	34.0	16.1	3.7	0.0	-9.1	-7.1	-1.9	-13.5	-7.8	-1.8	27.3	-5.3	-1.8	9.6	74.5	16.1	-7.1
Loan demand (percent of responses)	-63.5	-54.7	-35.7	-29.6	-9.3	-3.6	-21.4	5.6	9.6	5.8	7.2	-12.8	8.9	-13.0	-7.7	-7.4	-35.7	-21.4
C&I loans outstanding §	1,490	1,385	1,305	1,245	1,219	1,207	1,206	1,228	1,254	1,287	691	1,056	988	1,129	1,301	1,497	1,419	1,220
Manufacturing & trade sales §	959	986	1,016	1,043	1,062	1,076	1,114	1,164	1,186	1,203	655	834	1,005	1,067	1,127	1,156	996	1,091
Proprietors' income	927	929	949	982	1,026	1,057	1,082	1,096	1,107	1,117	516	818	1,070	1,133	1,090	1,098	941	1,036
Economy (percent)																		
Real GDP change†	-0.7	1.7	3.8	3.9	3.8	2.5	2.3	0.4	1.3	2.5	2.5	4.1	3.1	2.7	1.9	-0.3	-3.5	3.0
Chained CPI*	0.2	-0.1	0.8	0.1	0.2	0.4	1.9	0.9	0.9	0.5	2.8	3.4	3.4	3.2	2.8	3.8	-0.4	1.6
Unemployment rate †	9.5	9.8	9.9	9.7	9.5	9.6	9.4	8.8	9.2	9.1	5.6	4.0	5.1	4.6	4.6	5.8	9.3	9.6

* Not seasonally adjusted.

† Annualized quarterly figures, from last month of quarter where applicable.

‡ Totals may not add because indeterminate firm sizes.

§ Monthly averages.

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Bureau of Labor Statistics (Business Employment Dynamics), Administrative Office of the U.S. Courts, Federal Reserve Board of Governors (Senior Loan Officer Survey, Assets and Liabilities of Commercial Banks in the United States), U.S. Census Bureau and U.S. Bureau of Economic Analysis.