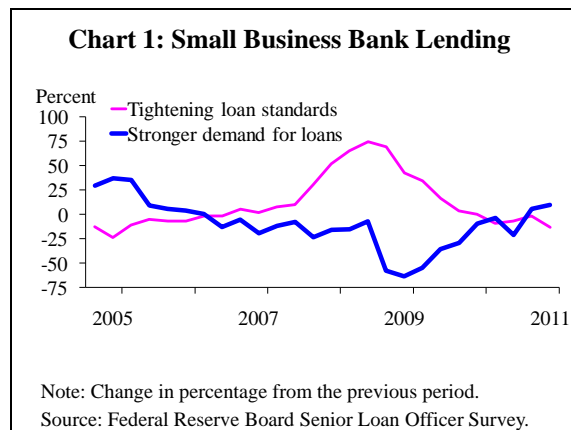


# Small Business Quarterly Bulletin

Second Quarter 2011  
by Brian Headd, Economist

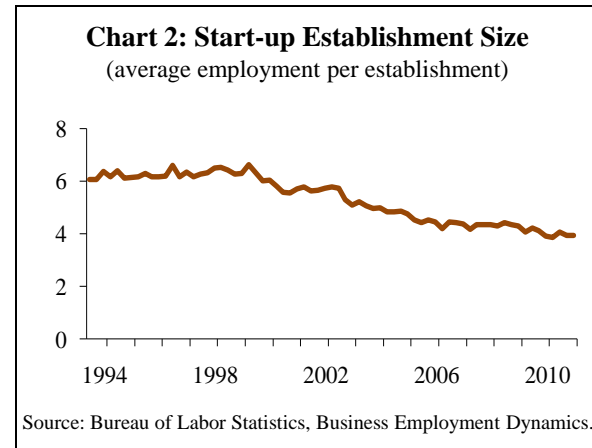
Recovering economies generally have not experienced smooth acceleration. This recovery is no different with speed bumps in the labor market. The first half of 2011 saw real GDP decelerate from its 2010 growth rate and unemployment rates remain elevated above rates of the last few decades.

Small firms are doing their part to expand the economy. With recent increases in manufacturing and trade sales, the demand for loans by small firms increased in each of the first two quarters of 2011 (chart 1). Commercial and industrial loans outstanding (which include loans to large firms) also increased in both quarters of 2011.



While the number of startup establishments increased at the end of 2010, the number of employees at the average start-up continues to

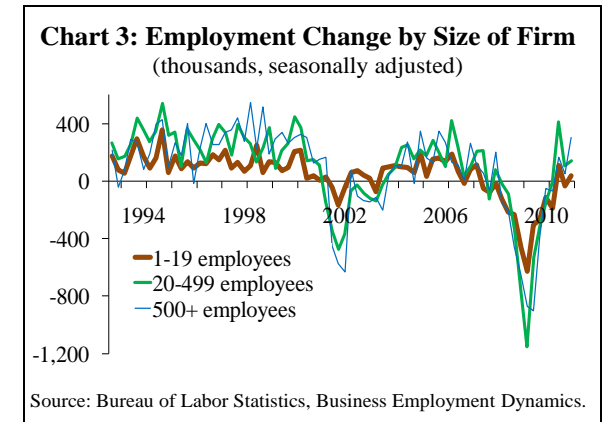
decline (chart 2). This is not necessarily a business cycle issue; it may be a broader trend that contributed to the slow labor market expansion from the previous recession in 2001. Establishments that start smaller, on average, tend to stay smaller throughout their lives.



Fortunately, the increase in the number of start-ups and expansions of existing businesses led to net employment increases in the last three quarters of 2010 (the latest period for which data are available). But in the fourth quarter of 2010, firms with fewer than 20 employees added only 38,000 net new jobs, while firms with more than 500 employees added 304,000 (chart 3). Even in the small business category of firms with 20-499 employees, new job creation decelerated from the previous quarter. It is not clear if this was a pullback from the strong third quarter of 2010, or the beginning of a new trend.

The latest data on the number of start-ups is beginning to increase, and closures continue to decline. As one would imagine, the beginning of the downturn wiped out many shaky businesses. There was concern that such a long economic storm would overcome even stronger firms. It is encouraging that the latest data on establishment deaths and business bankruptcies show steady declines since 2009.

Overall, the latest data for small business on job creation, and start-ups indicate a continuing but choppy climb from the depths of the recession.



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

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	Quarterly Data										Annual Data (or Year End)							
	2009				2010				2011		1995	2000	2005	2006	2007	2008	2009	2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2								
Self-employed (000) * †																		
Unincorporated	9,910	10,079	9,959	9,622	9,632	9,977	9,680	9,309	9,476	9,627	10,482	10,214	10,464	10,586	10,413	10,080	9,831	9,681
Incorporated	5,640	5,316	5,368	5,520	5,446	5,254	5,036	5,263	5,169	5,155	na	4,459	5,254	5,499	5,735	5,784	5,466	5,191
Businesses, turnover																		
Establishments (000)																		
Births	172	176	169	184	172	172	182	196	-	-	751	826	867	870	845	786	701	722
Deaths	235	226	216	200	196	-	-	-	-	-	651	759	737	763	804	901	877	-
Business bankruptcies*	14,319	16,014	15,177	15,020	14,607	14,452	13,957	13,030	12,376	12,304	51,959	35,472	39,201	19,695	28,322	43,546	60,837	56,282
Employment																		
Nonfarm payroll (millions)	132.04	130.49	129.73	129.32	129.44	129.98	129.84	130.26	130.76	131.02	117.30	131.79	133.70	136.09	137.60	136.79	130.81	129.82
Net private-sector job creation (000)																		
Total ‡	-2,741	-1,604	-900	-228	-311	728	151	563	-	-	2,405	1,905	2,148	1,737	735	-3,575	-5,473	1,131
<20 employees	-628	-302	-270	-112	-188	110	-34	38	-	-	487	275	479	321	-33	-1,043	-1,312	-74
20-499 employees	-1,154	-530	-309	-141	-11	412	105	140	-	-	1,088	772	756	801	370	-1,212	-2,134	646
500+ employees	-870	-903	-398	-53	-71	166	50	304	-	-	830	905	910	508	304	-1,475	-2,224	449
Finance, Sales & Income (\$billion unless noted)																		
Tightening lending standards (percent of responses)	69.2	42.3	34.0	16.1	3.7	0.0	-9.1	-7.1	-1.9	-13.5	-1.8	27.3	-5.3	-1.8	9.6	74.5	16.1	-7.1
Loan demand (percent of responses)	-57.7	-63.5	-54.7	-35.7	-29.6	-9.3	-3.6	-21.4	5.6	9.6	7.2	-12.8	8.9	-13.0	-7.7	-7.4	-35.7	-21.4
C&I loans outstanding §	1,519	1,465	1,386	1,306	1,244	1,221	1,208	1,208	1,225	1,255	691	1,056	988	1,129	1,301	1,497	1,419	1,220
Manufacturing & trade sales §	968	959	986	1,016	1,043	1,062	1,076	1,115	1,164	1,186	655	834	1,005	1,067	1,127	1,156	996	1,091
Proprietors' income	960	927	929	949	982	1,026	1,057	1,082	1,096	1,105	516	818	1,070	1,133	1,090	1,098	941	1,036
Economy (percent)																		
Real GDP change †	-6.7	-0.7	1.7	3.8	3.9	3.8	2.5	2.3	0.4	1.3	2.5	4.1	3.1	2.7	1.9	-0.3	-3.5	3.0
Chained CPI*	1.0	1.4	0.2	-0.1	0.8	0.1	0.1	0.4	1.9	1.0	2.8	3.4	3.4	3.2	2.8	3.8	-0.4	1.6
Unemployment rate	8.6	9.5	9.8	9.9	9.7	9.5	9.6	9.4	8.8	9.2	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.