Small Business and Middle Market Economic Pulse: Survey Report 2nd Quarter 2012

Description: For the first time since we asked the question, more small businesses have reported improving financial condition during the last 12 months than deteriorating financial condition. This improved view of balance sheets has not led to many positive business outcomes for small businesses but lays the groundwork for improved future expectations. In the 2nd quarter of 2012, small businesses show greater business optimism and substantial increases in expectations for employment and capital expenditures in the next 12 months.

After years of pain, small businesses are now looking forward to the better returns that middle market companies have seen since the recovery began. However, this does not mean that the current primary bank will reap these benefits. Small businesses are showing an increase in adding banks, driven by three primary factors: lower fees, better service and credit availability. In particular, credit availability is an important factor to consider with one in five small businesses reporting some type of loan denial.

Another dramatic shift in the business world may be driven by the demographics of the business owner and their appetite for future risk. While middle market companies are planning for moderate growth, small businesses are split between moderate growth and maintaining current levels. Small businesses are looking to maintain the value but have lost the appetite for risk. This risk aversion demonstrated by about half of business owners/financial decision makers reporting that they would not start a business in today's economy.

Contents:

1 - In the Opinion of the Analyst
2 - Timeline of Major Events
3 - Past Performance: Small Business Shows Signs of Healing
4 - Small Business Financial Condition Positive for First Time Since Late 2010
5 - Small Business Sales Only Slightly Negative
6 - Net Middle Market Profits Positive Once Again in 2nd Quarter 2012
7 - Past Economic Outcomes: Economic Expansion Gaining Momentum
8 - Companies Continue Raising Prices
9 - Employment Growth in Middle Market Gaining Momentum
10 - Small Businesses Part-Time Employment Shows Positive Momentum
11 - Middle Market Utilizing More Human Resources
12 - Middle Market Companies Invest in Capital Expenditures
13 - The Net Need for Bank Loans in Last 12 Months is Minimal
14 - Credit Availability
15 - Use of a Commercial Bank to Finance Business Operations Up in 2nd Quarter 2012
16 - One in Five Small Businesses Applied for Additional Credit
17 - Small Business Approvals Increase
18 - Middle Market Companies Find Ample Credit
19 - Small Businesses Approvals Increased
20 - Middle Market Credit Market Remains Stable
21 - Companies Apply For Short Term Loans
22 - One in Four Small Businesses Have Renewed/Extended an Existing Line of Credit
23 - One in Five Small Businesses Utilize Home Equity
24 - One in Four Small Businesses Leave a Balance on Their Credit Card
25 - Future Expectations
26 - Small Businesses Optimism about Their Company's Financial Condition Continues to Rise
27 - Business Optimism About Their Industry Continues
28 - Small Businesses’ Confidence in the U.S. Economy Strengthens
29 - Small Business Sales Expectations Improve
30 - Small Business Profit Expectations Return to Levels Seen in 2nd and 3rd Quarter 2011
31 - Future Economic Outcomes
32 - Small Business Hiring Expectations Turn Positive for the First Time in Two Years
33 - Small Businesses Employment Expectation Increased During the 2nd Quarter 2012
34 - Middle Market Employment Expectations Decrease but Remain Positive
35 - More Small Businesses Expect to Increase Prices Than Middle Market Companies for the First Time Since 1st Quarter 2010
36 - Middle Market Companies and Small Businesses Plan to Add Capital Expenditures at Nearly the Same Rate
37 - Expectations for Business Loans Remain Stagnant
38 - Banking Relationships
39 - Middle Market Companies Discuss Banking with Other Banks More Frequently Than Small Businesses
40 - The Percentage of Small Business That Have Added a New Banking Relationship Has Doubled Since 1st Quarter 2012
41 - The Rate in Which Middle Market Companies Add New Banking Relationships Has Decreased for Two Consecutive Quarters
42 - Small Businesses Added New Banking Relationships to Lower Fees
43 - Businesses Are Not Leaving Their Primary Bank
44 - Middle Market Expectations for Applying for Additional Credit Increase
45 - Nine Out of Ten Middle Market Companies Would Choose a Commercial Bank for Borrowing Needs
46 - Banker Knowledge About Their Small Business Customers' Future Business Plans Has Improved
47 - Not Knowing Your Business Customers' Future Plans is a Sign of a Deteriorating Relationship
48 - Topical Questions
49 - Nearly Eight Out of Ten Middle Market Companies Are Planning on Modest or Dramatic Growth within the Next Year
50 - Over Half of Small Businesses Would Not Start a Company in Today's Economic Environment
51 - Middle Market Companies Showed Tenuous Confidence in Business Start-ups
52 - Methodology

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