Economic Bulletin

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY
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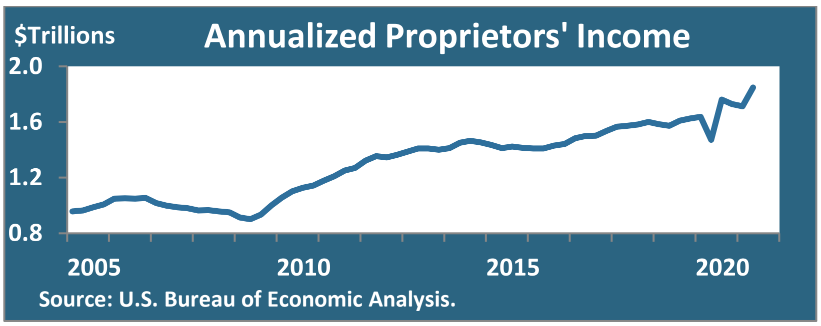
Small Business at a Glance

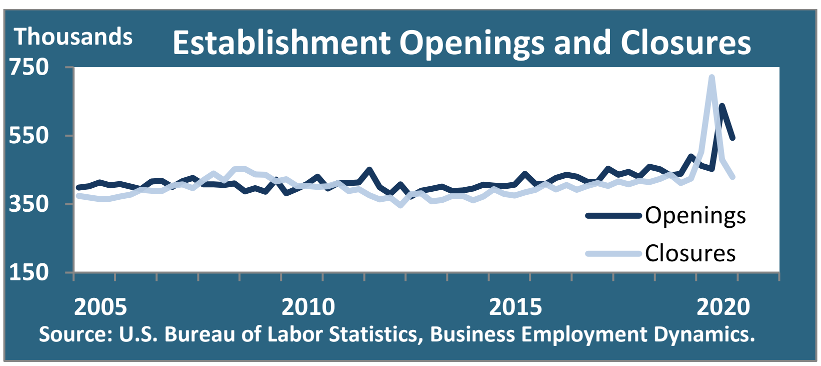
Two crucial small business indicators, self-employment and proprietors' income, had historic declines in 2020. Both experienced very fast recoveries by early 2021. These indicators match the National Bureau of Economic Research's conclusion that the two-month contraction in 2020 was the shortest recession on record. Meanwhile, the impacts of the 2020 recession on small business financing and banks were muted compared to the Great Recession.

General

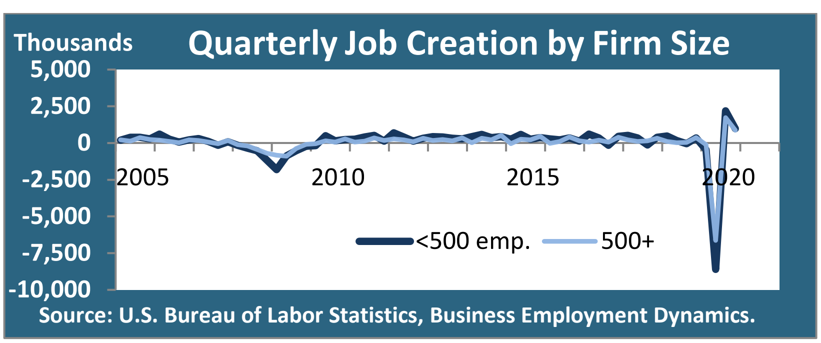
In 2021, self-employment (primary occupation, not seasonal adjusted) recovered from the slight decline in 2020. This quick decline and rebound is in contrast to the slow decline from 2007 to 2011 and the slow recovery beginning in 2012.



Proprietors' income followed the pattern of self-employment: a quick drop followed by a quick recovery.

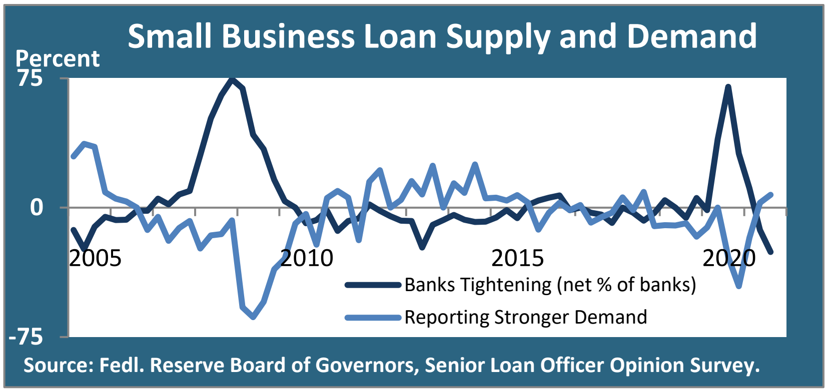


Establishment (business locations with employees) openings and closures had historic spikes in 2020, from the second quarter of 2020 to the end of the year. Total establishment openings slightly overtook total establishment closures by the end of 2020.

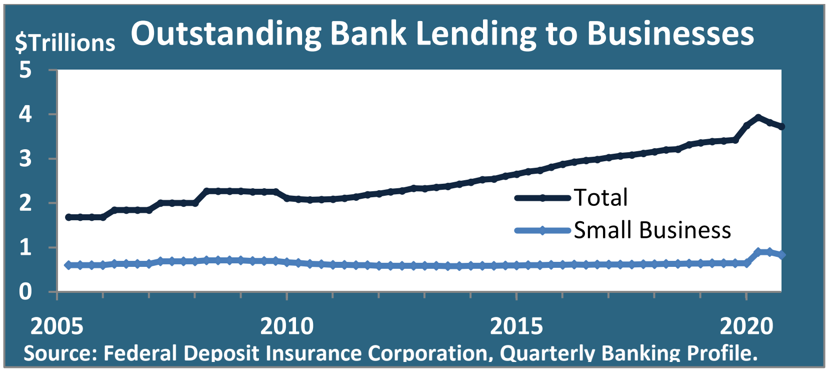


In 2020, small firms (<500 employees) lost 5.9 million net jobs, which was equivalent to their previous 5 years of job gains. During the same period, large firms lost 4.1 million net jobs, close to their job gains over the previous 5 ½ years.

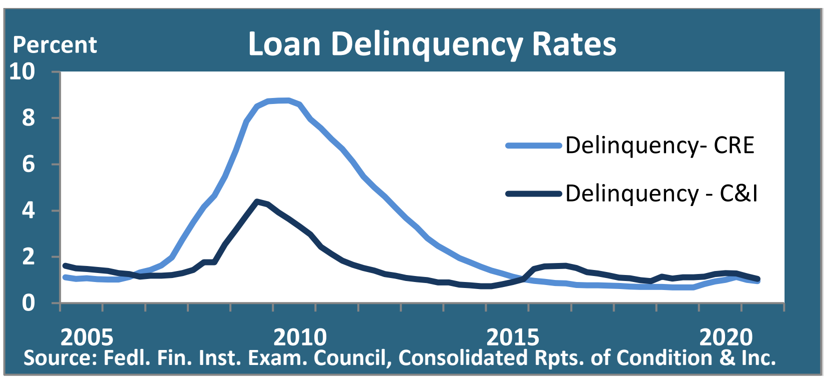
Finance



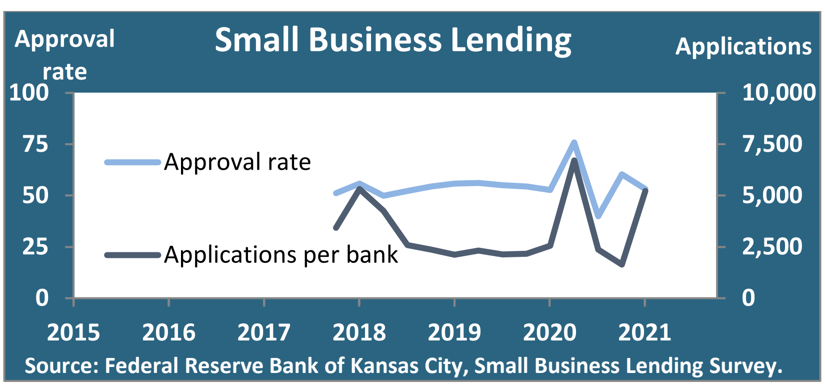
Like other small business variables, bank lending standards and demand for small business loans had quick peaks and valleys in 2020. Compared to earlier recessions, the highs and lows were not historic like other variables.



Small business loans (loans of $1 million or less) and total business loans increased in 2020. The increase was likely from forgivable Payroll Protection Program loans.



Loan delinquency rate increases for commercial and industrial loans (C&I) and commercial real estate loans (CRE) during and after the 2020 recession were muted. As a result, bank losses from small business loans would be minimal compared to the Great Recession.



The loan approval rate for small businesses (annual revenues less than $5 million) rose and fell around the 2020 recession and is now at about pre-recession rates. The number of loan applications per bank also rose and fell and is now generally higher than the pre-recession level.

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