

December 2022

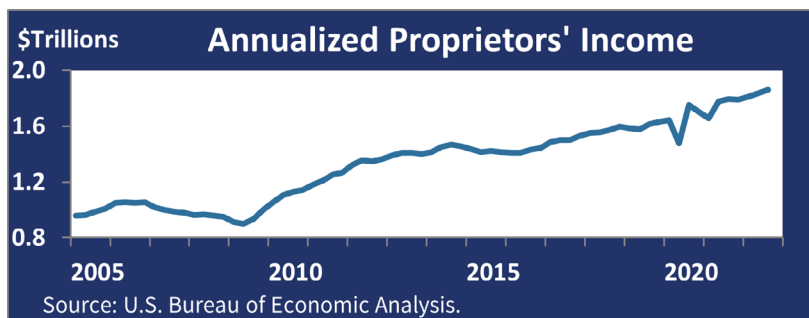
Small Business at a Glance

Many small business variables such as self-employment, proprietors' income, loan delinquencies, and loan balances now have trends that resemble their pre-COVID-19 trends. However, even though the number of startups has recently increased, demand for loans by small firms had a quick and relatively deep decrease.

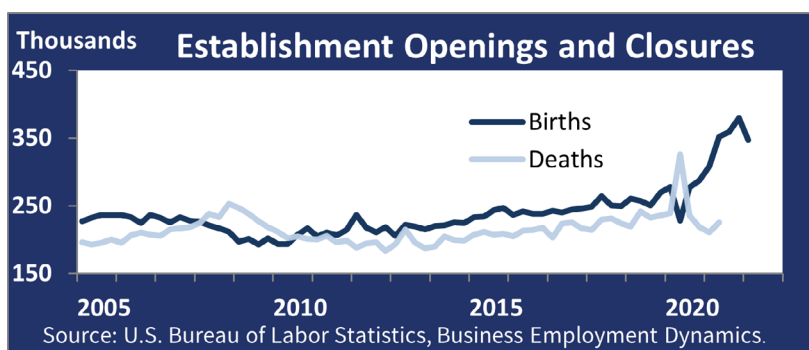
General



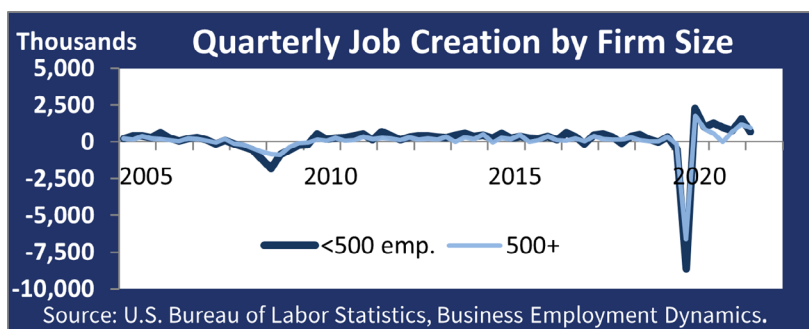
The overall number of self-employed (primary occupation, not seasonal adjusted) only had a slight decline during the COVID-19 recession and quickly bounced back. By 2022, self-employment finally topped the peak reached before the Great Recession.



Proprietors' income wavered during the COVID-19 recession but is now trending upward as it had in the pre-COVID-19 years.

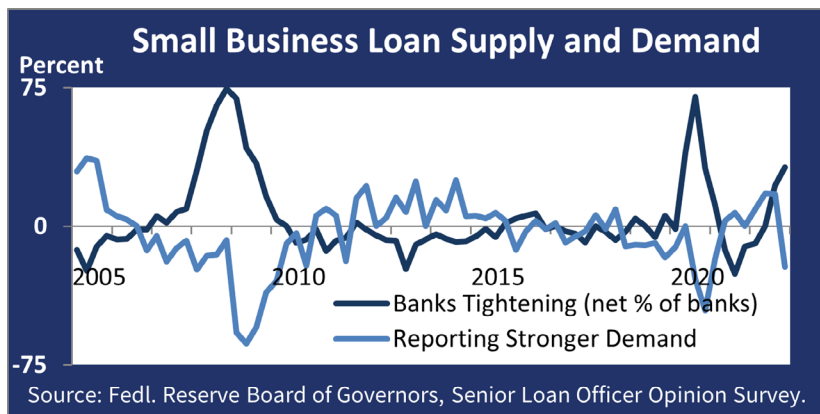


Establishment (or business locations with employees) births and deaths had historic spikes in 2020. Establishment births have risen at a historic rate since. Meanwhile, establishment deaths avoided a high level in the year after the COVID-19 spike. Note that establishment death data has a slight lag as BLS tries to determine if establishments are seasonally closed or dead (permanently closed).

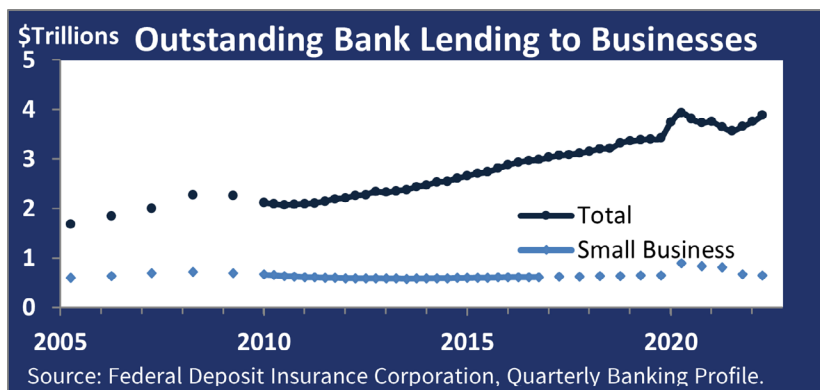


From 2015 to the first quarter of 2022, small firms (<500 employees) had created 66 percent of private-sector net new jobs. As of the first quarter of 2022, small firms recovered almost all net jobs lost in the second quarter of 2020 when COVID-19 rocked the U.S. economy.

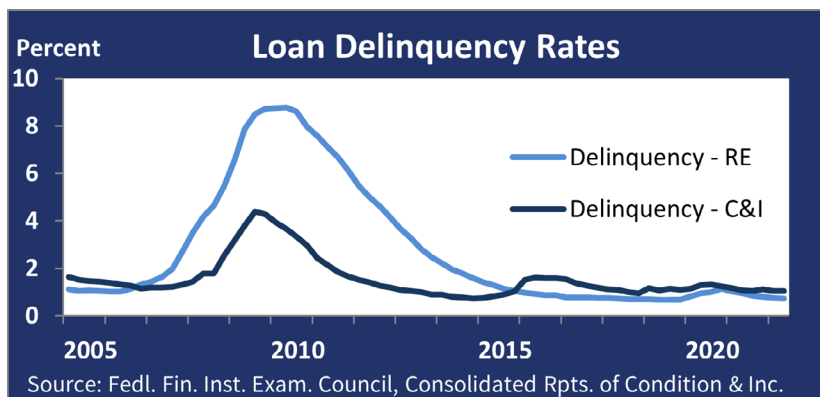
Finance



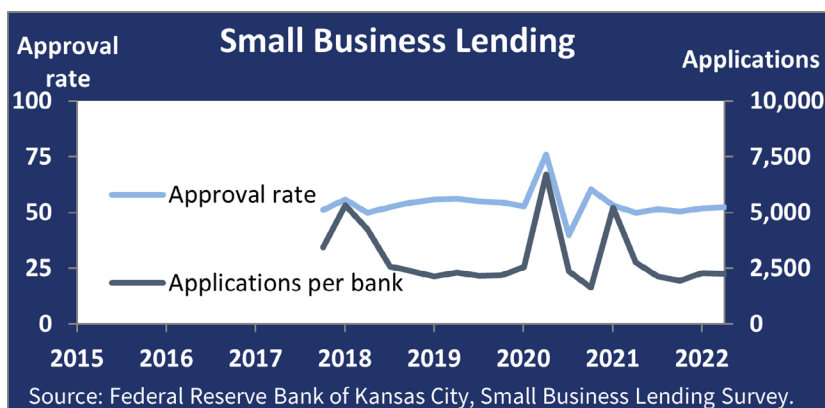
Bank lending standards for small business loans tightened while demand for commercial industrial loans remained relatively strong especially during economic recovery and expansion periods. Meanwhile, in the latest quarter, loan demand has declined rapidly.



Business lending grew 6.5% between June 2021 and June 2022 after a drop from the prior year. Small business loan (loans of \$1 million or less) growth declined further from the previous year. The decline could be attributed mostly to the winding down of the Paycheck Protection Program and associated loan forgiveness.



Business loan delinquency rates have remained subdued in recent years for both commercial industrial (C&I) and real estate loans (CRE). Since 2015, C&I loan delinquency rates have been slightly above CRE loan delinquency rates. It would follow that 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) is hovering around a similar level seen from mid-2018 to early 2020. The number of loan applications per bank also returned to pre-pandemic levels.