

# ECONOMIC BULLETIN

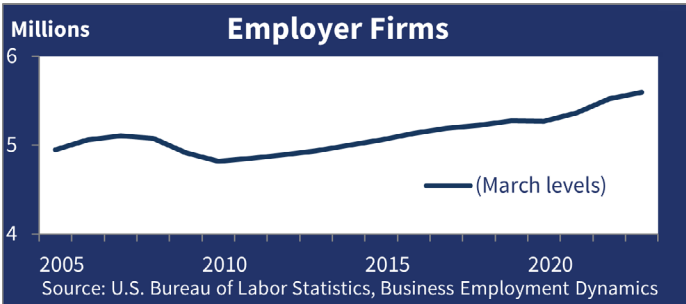
DECEMBER 2023

## SMALL BUSINESS AT A GLANCE

Small business economic indicators have trended positively (number of firms, job creation, births, income) in recent years. However, there are lending worries as the supply and demand for small business bank loans weakens, and small businesses turn to nontraditional lenders who have higher approval rates and often charge higher interest rates.

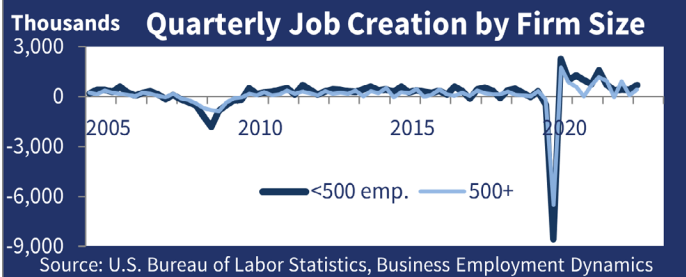
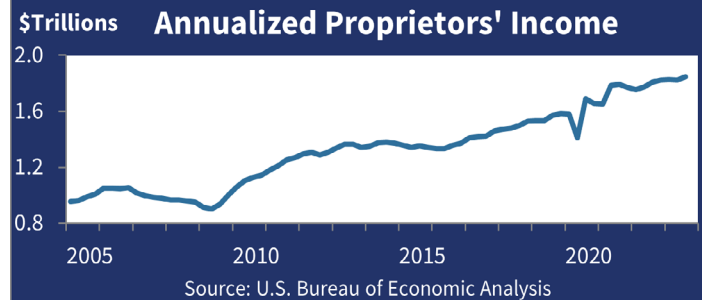
### GENERAL

by Brian Headd and Victoria Williams



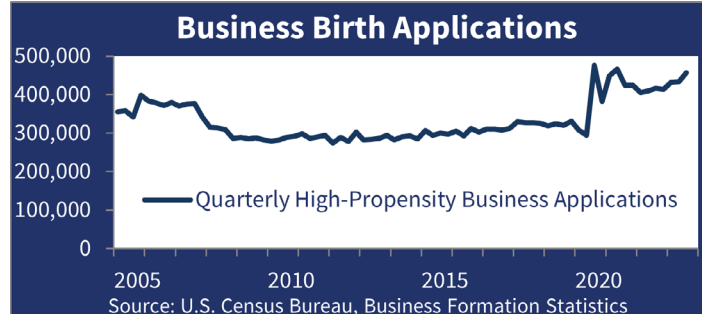
The number of employer firms has slowly increased since the Great Recession and continues to do so.

Proprietors' income fluctuated during the COVID-19 recession. Recently, income gains have resumed the growth rate seen before the shock of the pandemic.

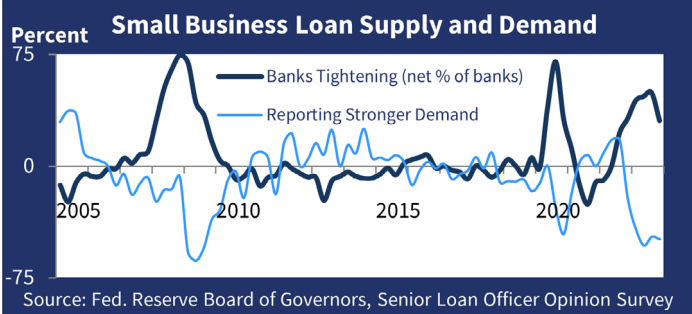


Small business job gains have been reasonably persistent over time. In the last ten years, only five quarters had employment declines. In the quarters with employment gains, small businesses (<500 employees) had job gains above large businesses in 27 out of 35 quarters.

Business births spiked around COVID-19's initial shock to the economy. In the last few years, births have not only maintained this increased level but continue to rise.

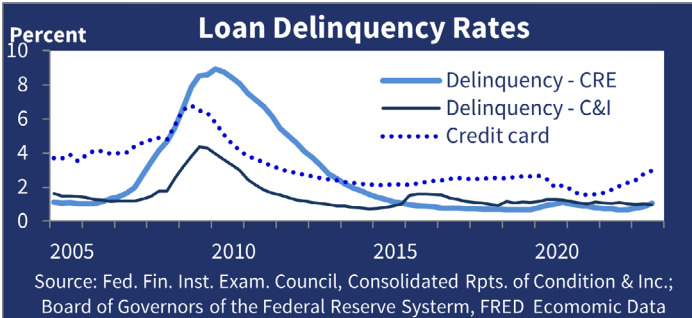
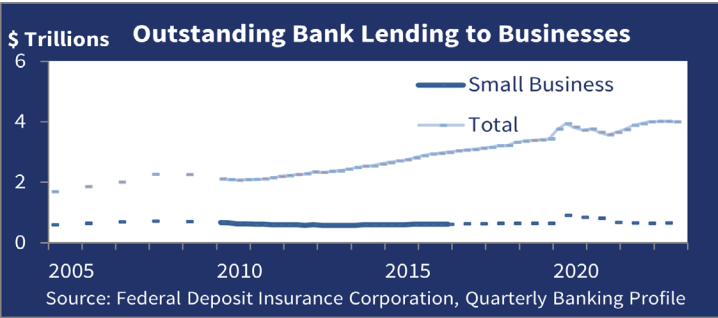


# FINANCE



Banking conditions have changed as rising interest rates have increased borrowing costs for small businesses that are reliant on banks for their funding needs. In the last year and a half, bankers on net reported tightened standards and weakened demand for both commercial industrial (C&I) and commercial real estate (CRE) loans for small businesses. Loan demand is falling more than it did around the pandemic.

Business lending was strong and grew between June 2022 and June 2023. Total commercial and industrial (C&I) loans grew at a slower rate from the prior year; from 5.9 percent to 2.1 percent. Small business C&I loans (loans of \$1 million or less) grew by 2.6 percent after two consecutive declines.



Bank delinquency rates for both commercial industrial (C&I) and real estate loans (CRE) remain near historic lows. In the last quarter, CRE loan delinquency rates rose above C&I rates for the first time since 2015. Credit card delinquency rates are typically higher than C&I and CRE rates. Credit card delinquency rates have steadily increased since 2021.

Small business loan approval rates remained restrained among all lenders when compared to pre-pandemic rates. Approval rates among traditional lenders were relatively flat between 2021 and 2023, while alternative lenders show a slight increase in approval rates.

