

BUSINESSPULSE

Second Quarter, 2023



POWERED BY
BARLOW RESEARCH ASSOCIATES, INC.



The Live Oak BusinessPulse, fielded by Barlow Research Associates, is an invitation-only economic survey administered online or via fax, fielded for two weeks during the first month of each quarter.



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Key findings

SMALL BUSINESS

1. Small businesses continue to grow slightly more optimistic about their overall financial condition, but perceptions of the U.S. economy remain very poor.
2. Price increases have slowed, and sales/profit margins have improved. Yet excess cash reserves remain limited.
3. Only a small portion of small businesses have applied for additional credit although a growing number appear to be considering it.

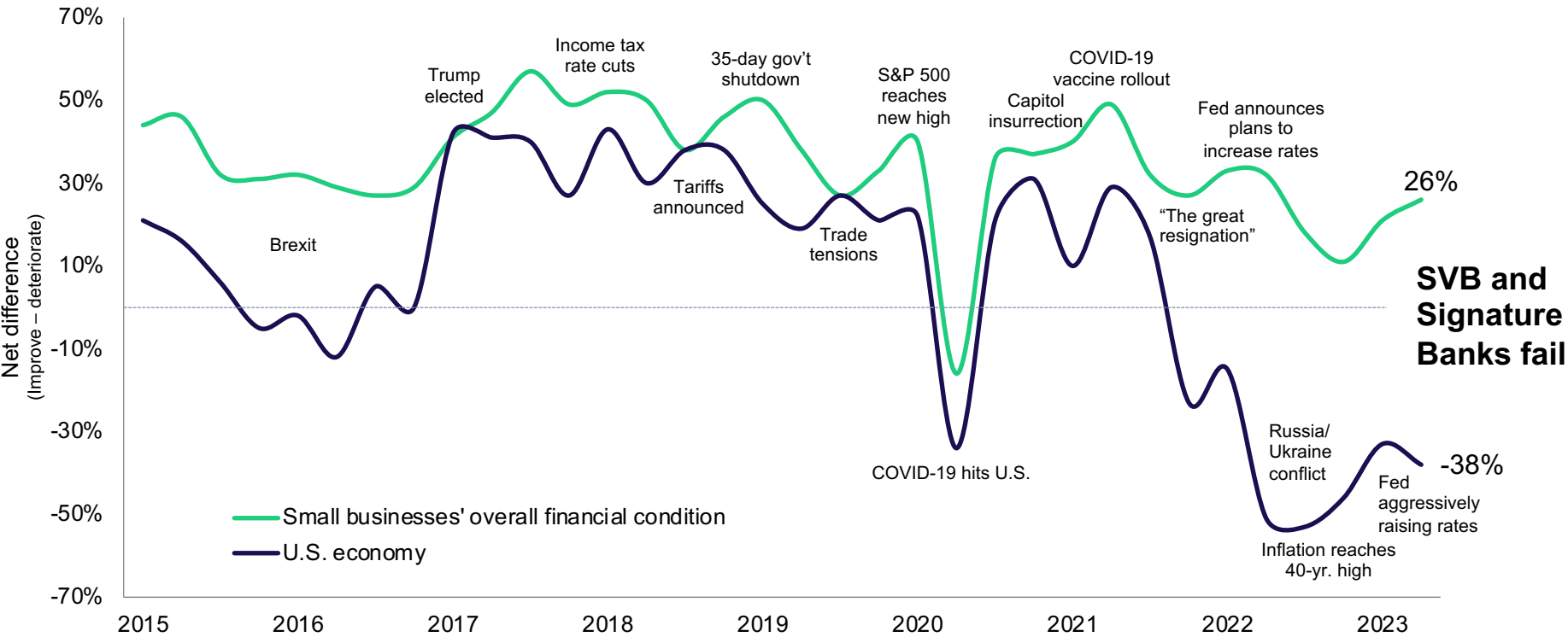
MIDDLE MARKET

1. Middle market confidence in their own financial condition continued to trend down year-over-year.
2. Although profits have improved, sales expectations are down and fewer anticipate growing their excess cash reserves.
3. Demand for additional credit in the middle market returned to levels seen at the end of 2022, following very limited demand in the first quarter of 2023.

Small businesses grew more optimistic about their own financial conditions; yet perceptions about the strength of the economy continued to be deflated

SMALL BUSINESS EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY

Next 12 months net difference

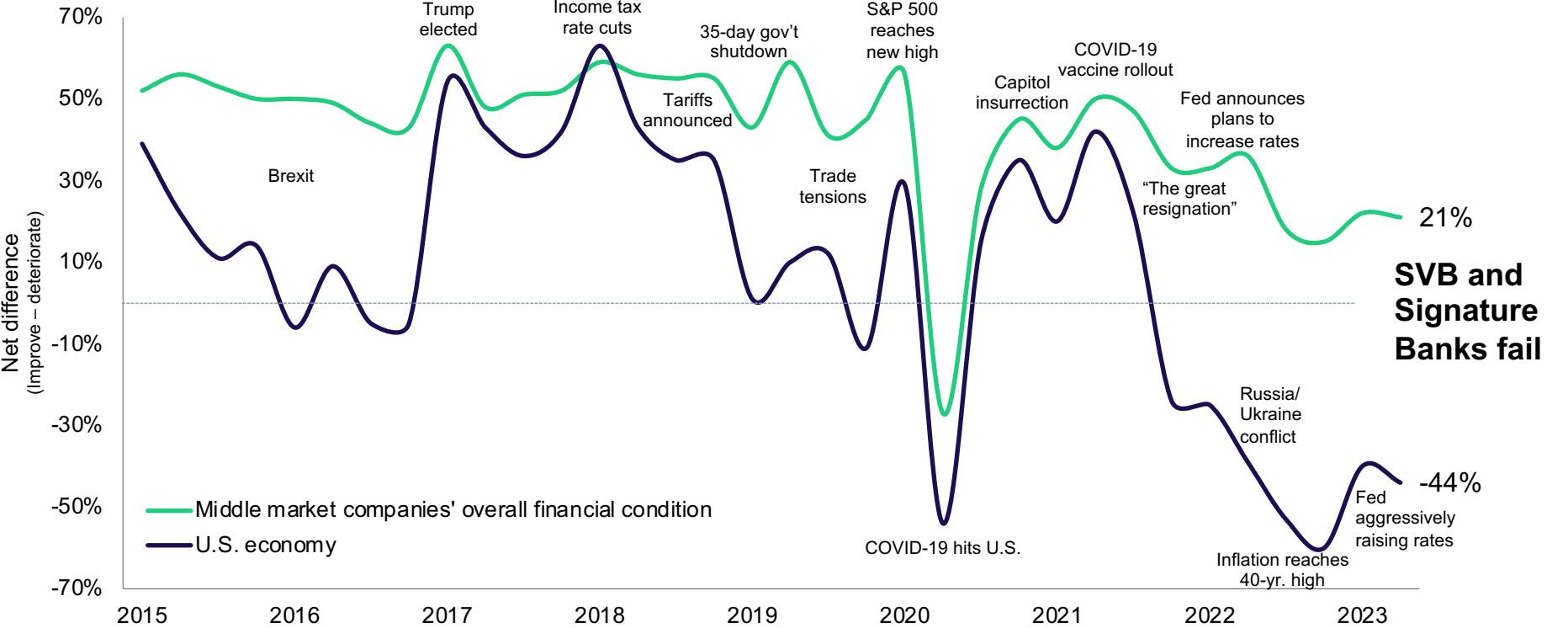


Q: During the next 12 months, do you expect your company's overall financial condition to...
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 1Q2023)

Middle market confidence in their own financial condition remained flat and lower than recent historical averages

MIDDLE MARKET EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY

Next 12 months net difference



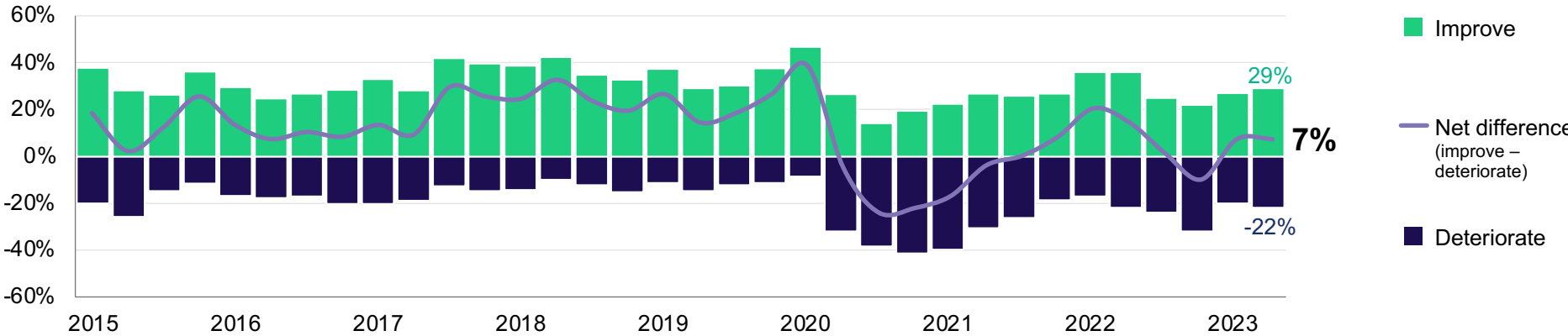
Q: During the next 12 months, do you expect your company's overall financial condition to...
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 1Q2023)

01

Retrospective economic position

Small business financial positions remained consistent from the first quarter 2023

SMALL BUSINESS FINANCIAL CONDITION
Past 12 months



Net difference

+7%

0 pts. from last quarter

-7 pts. from one year ago

\$100K-<\$500K

21% Improve, 28% Deteriorate

Net difference **+7%**

\$500K-<\$2.5MM

24% Improve, 29% Deteriorate

Net difference **+5%**

\$2.5MM-<\$10MM

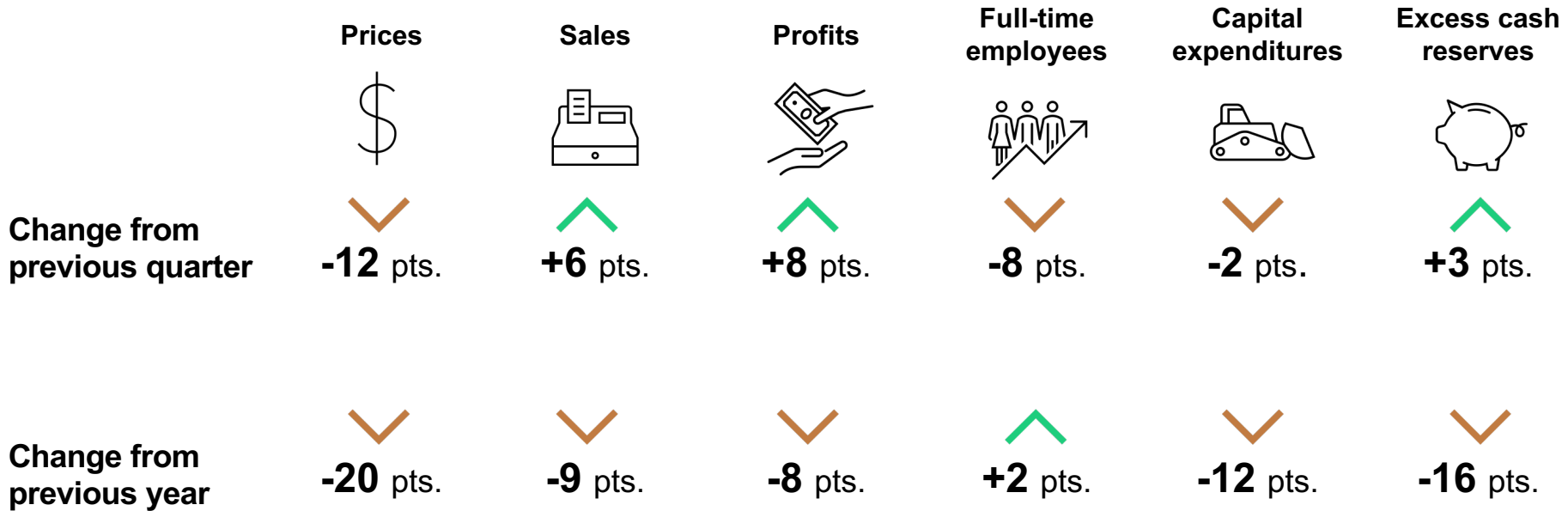
14% Improve, 40% Deteriorate

Net difference **+26%**

Q: During the last 12 months, did your company's overall financial condition...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

Small businesses have seen improved sales, profits and cash reserves over the last quarter, yet all three metrics are lower than one year ago

SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months

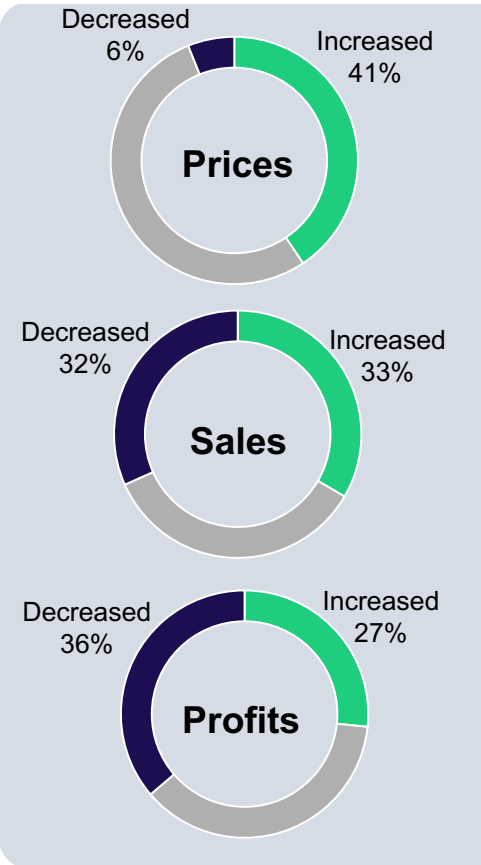
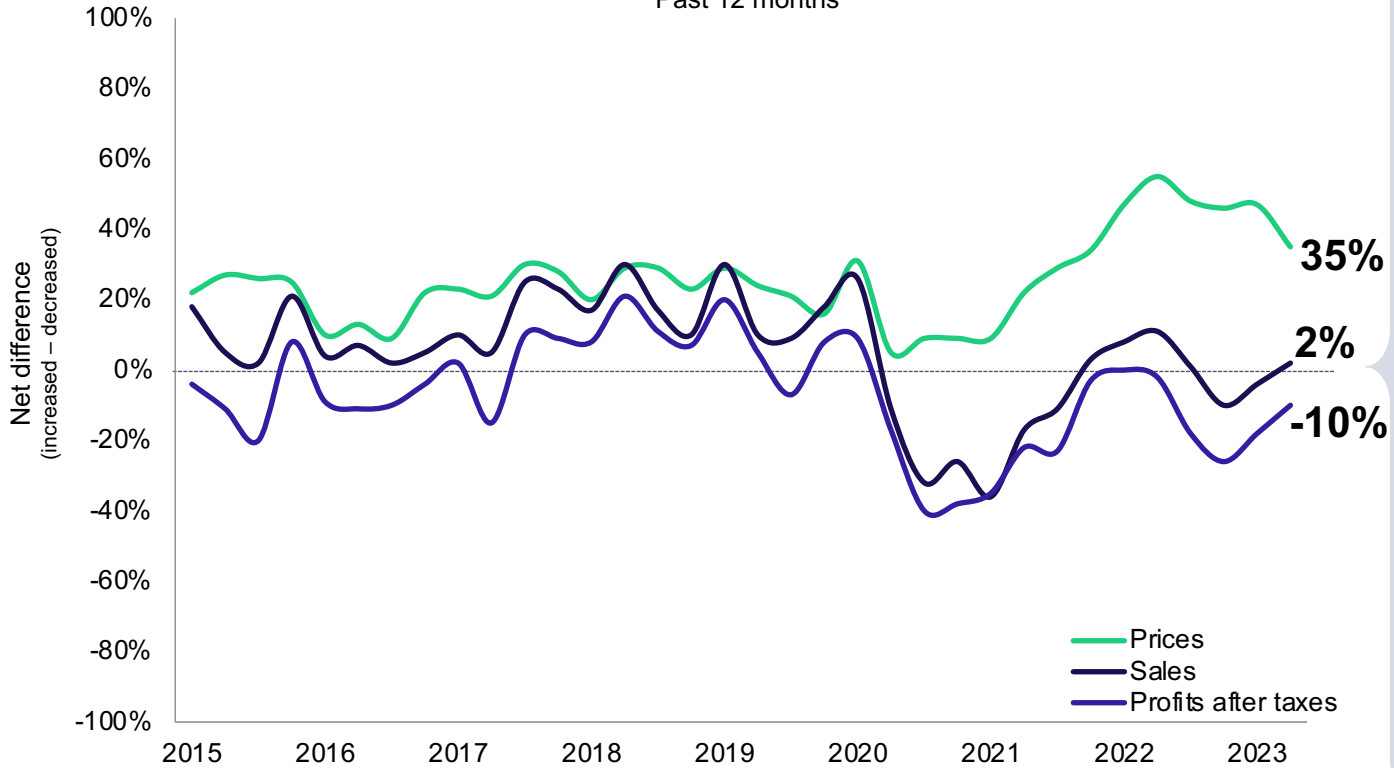


Net difference: increased – decreased

Q: During the last 12 months, did your company's overall financial condition...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

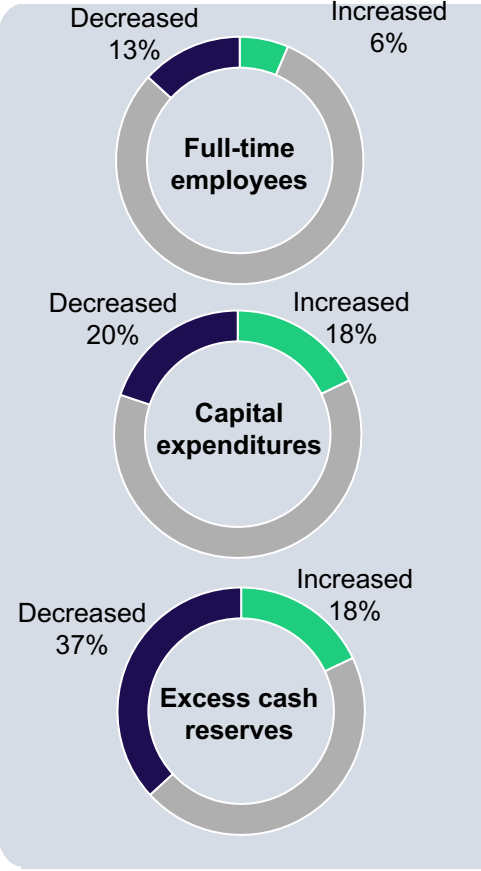
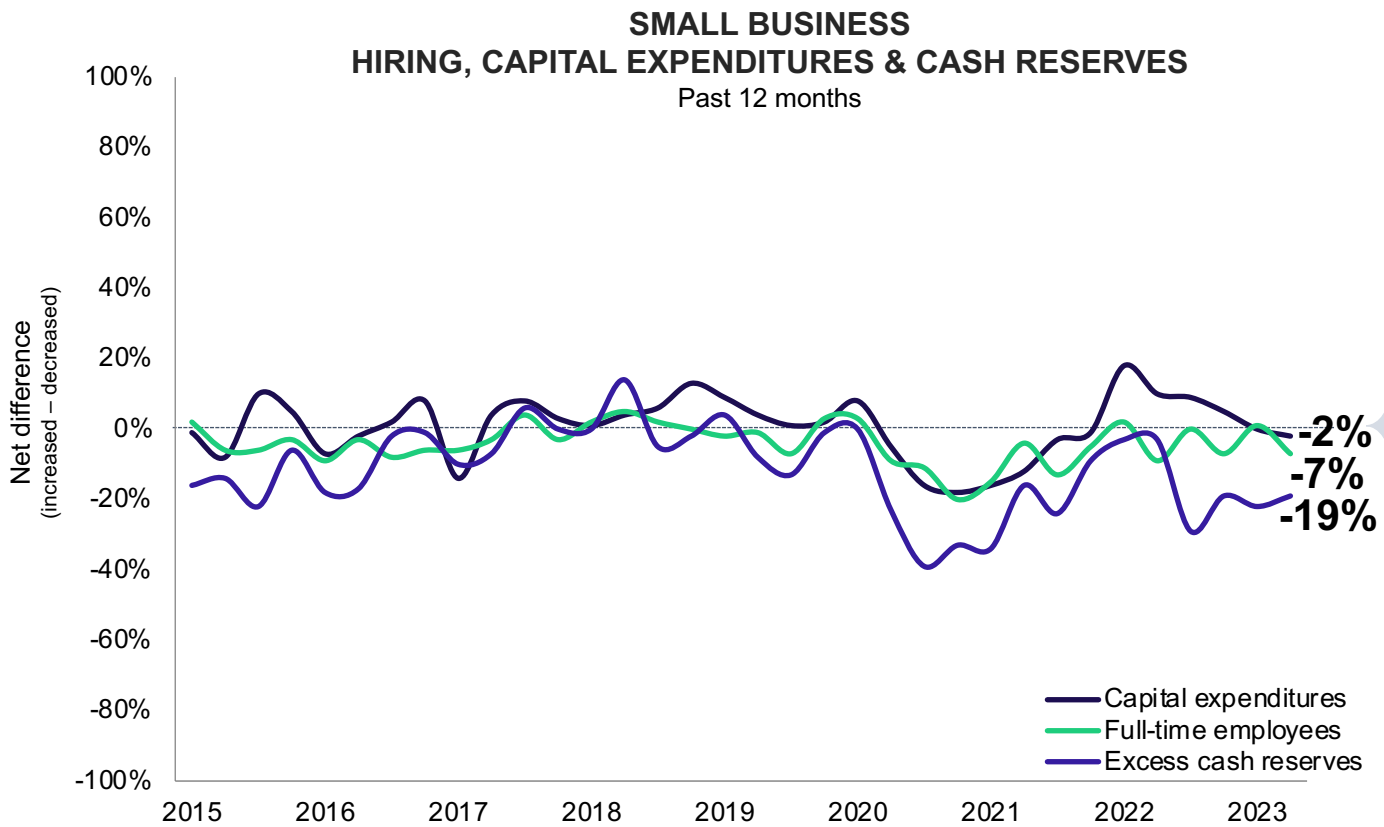
Price increases continued to slow among small businesses

SMALL BUSINESS PRICES, SALES & PROFITS
Past 12 months



Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

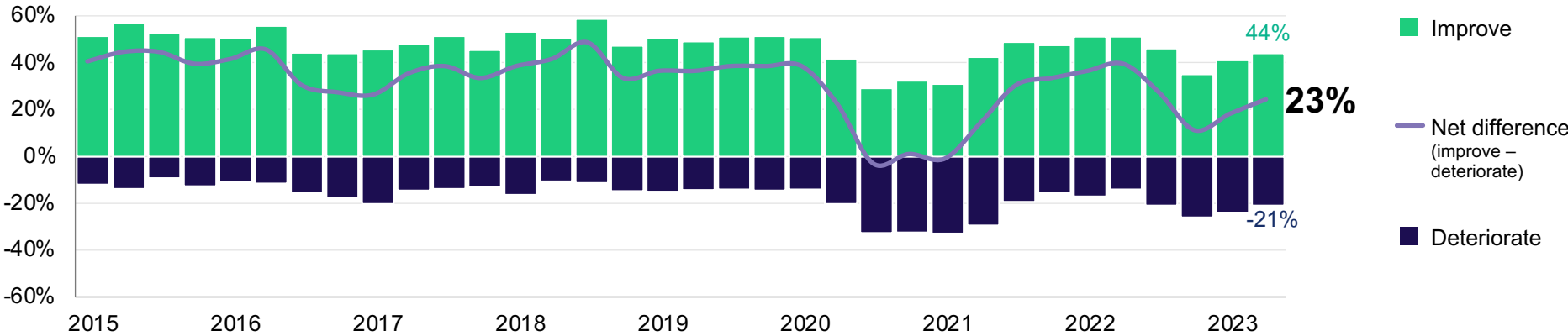
Small business capital expenditures continued to slowly trend down from a high point at the beginning of 2022



Q: During the last 12 months, did your company's...
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Middle market financial conditions improved for a second consecutive quarter

MIDDLE MARKET FINANCIAL CONDITION
Past 12 months



Net difference

+23%

+6 pts. from last quarter

-15 pts. from one year ago

\$10MM-<\$50MM

21% (Deteriorate) / 42% (Improve)

Net difference +21%

\$50MM-<\$500MM



















21% (Deteriorate) / 51% (Improve)

Net difference +30%

Q: During the last 12 months, did your company's overall financial condition...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

The most positive quarterly improvement in the middle market can be seen in profits

MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

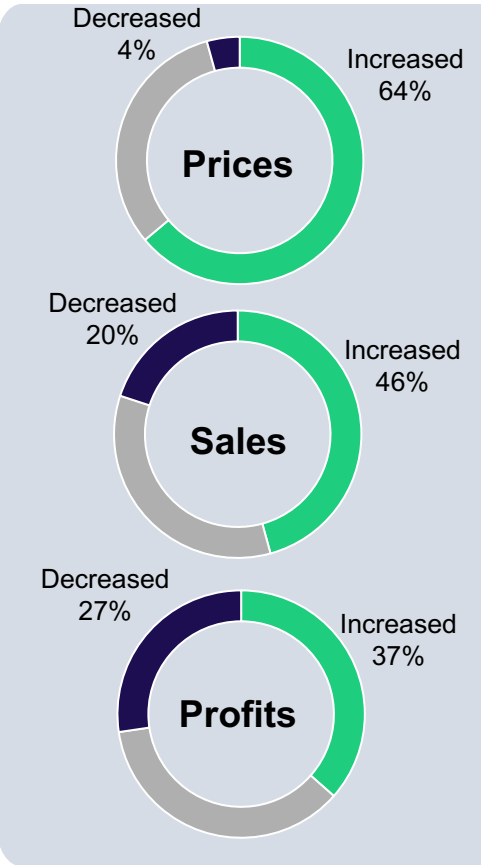
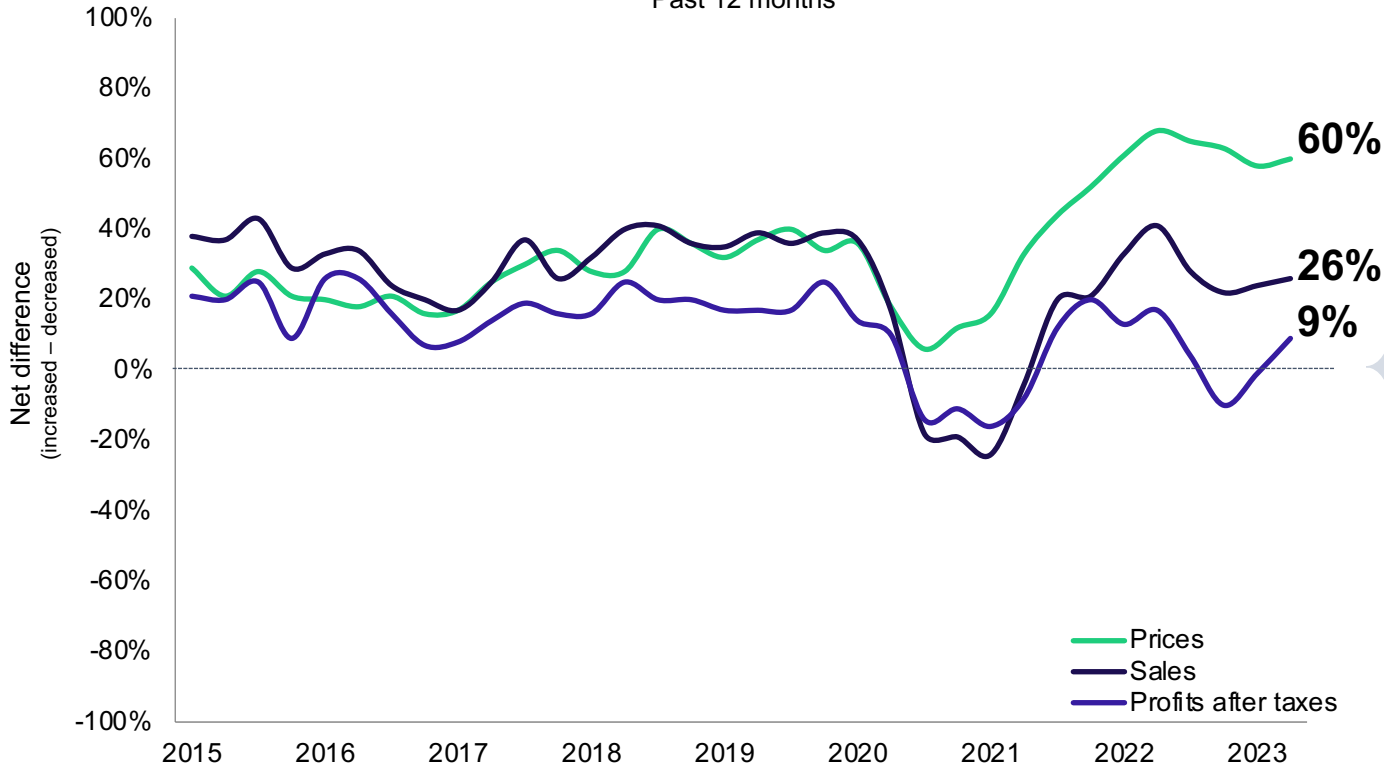
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 +2 pts.	 +2 pts.	 +10 pts.	 0 pts.	 +4 pts.	 +3 pts.
Change from previous year	 -8 pts.	 -15 pts.	 -8 pts.	 +2 pts.	 -1 pts.	 -10 pts.

Net difference: increased – decreased

Q: During the last 12 months, did your company's overall financial condition...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

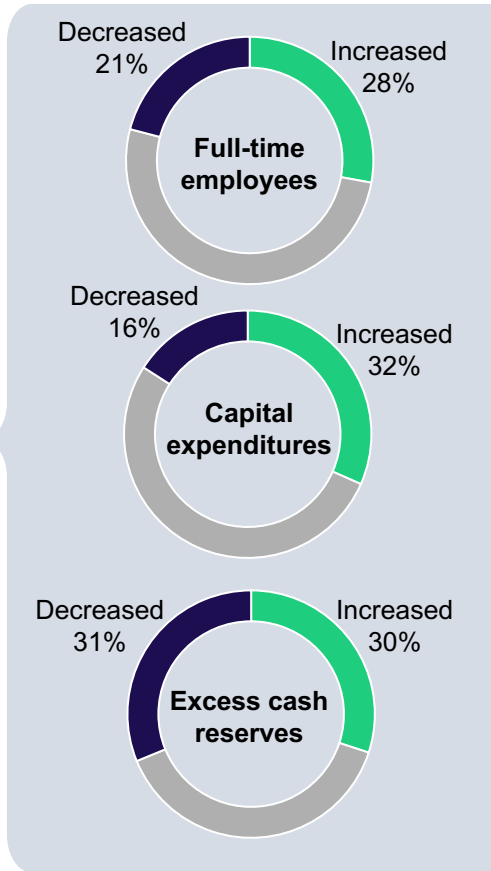
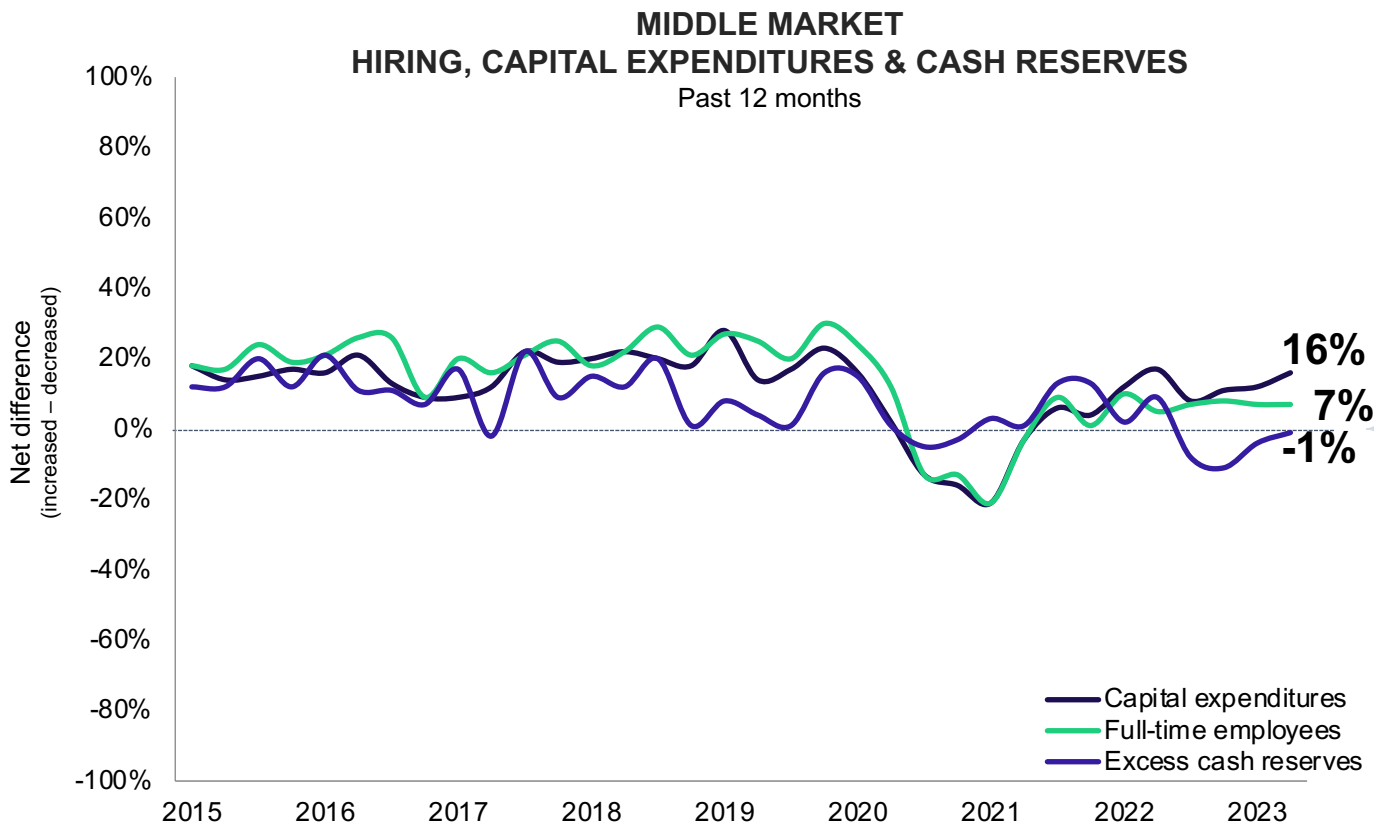
Middle market profit margins normalized as prices and sales remained flat

MIDDLE MARKET PRICES, SALES & PROFITS
Past 12 months



Q: During the last 12 months, did your company's...
\$10MM-~\$500MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

Capital spending has increased incrementally over the past three quarters



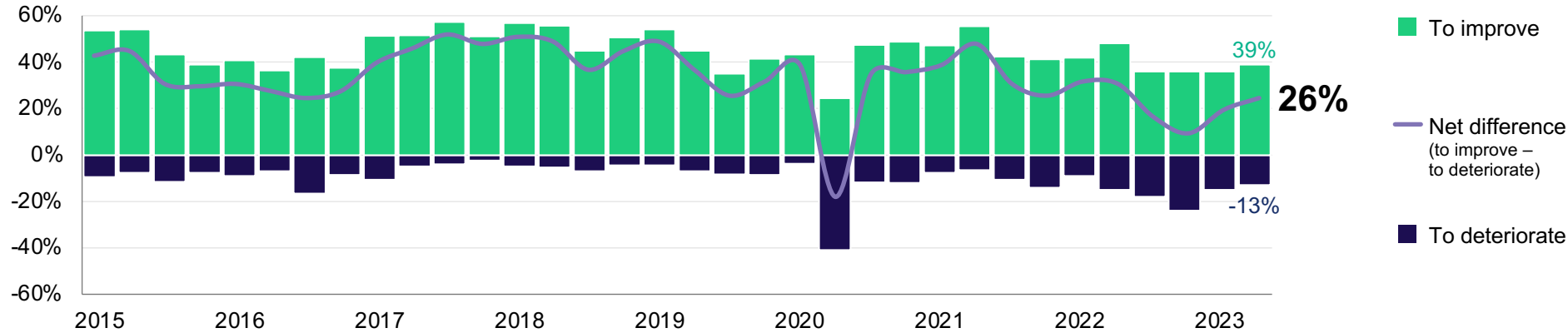
Q: During the last 12 months, did your company's...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

02

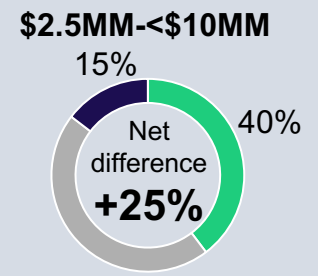
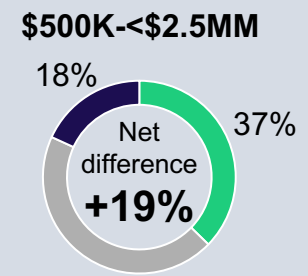
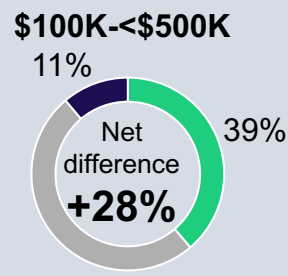
Expected economic position

Small businesses' outlook continued to improve from a low point at the end of 2022

SMALL BUSINESS EXPECTED FINANCIAL CONDITION
Next 12 months



Net difference
+26%
+5 pts. from last quarter
-6 pts. from one year ago





















Q: During the next 12 months, do you expect your company's overall financial condition to...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

Although lower than one year ago, small businesses are expecting marginal improvements in their sales, profits and hiring

SMALL BUSINESS NET DIFFERENCE CHANGES

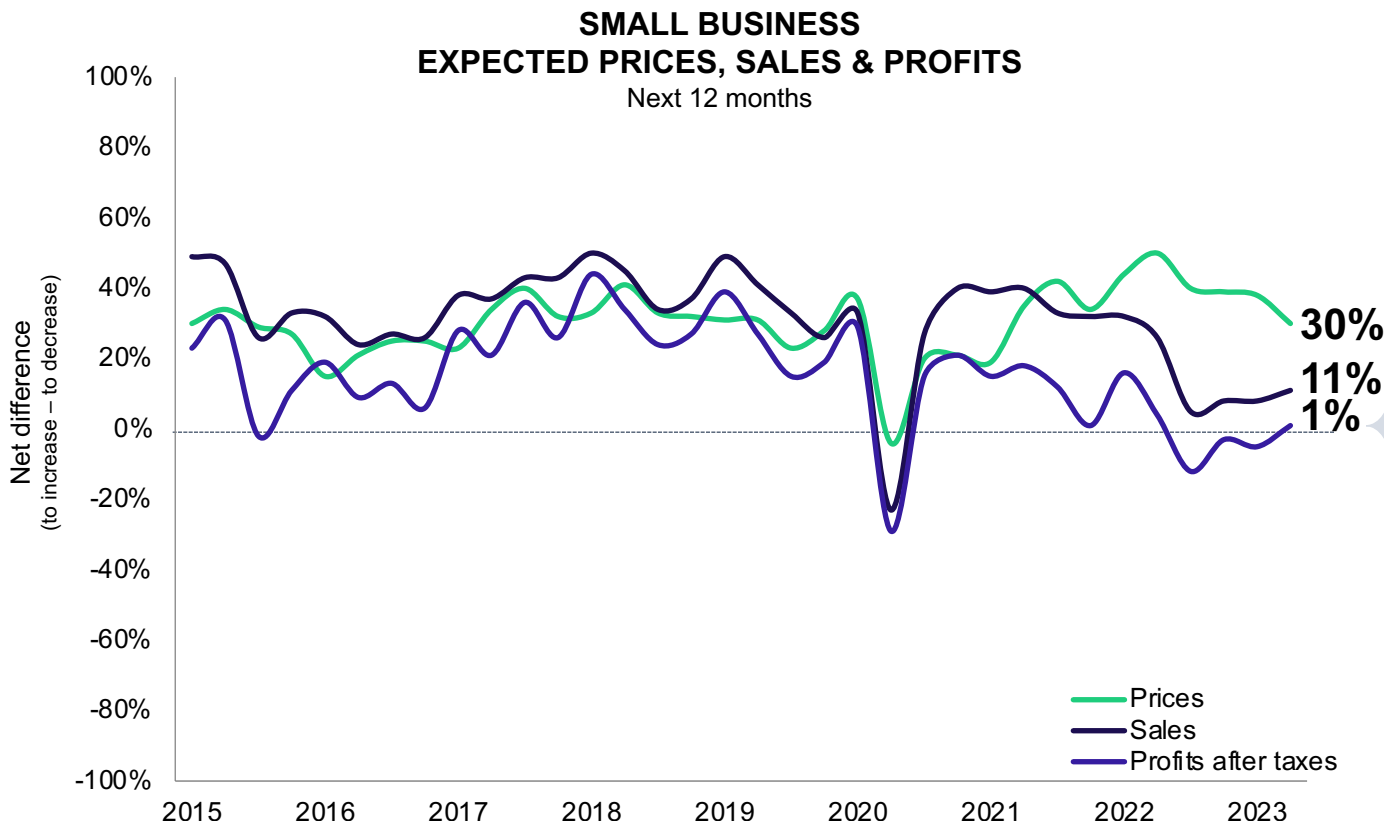
Next 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 -8 pts.	 +3 pts.	 +6 pts.	 +1 pts.	 -1 pts.	 +14 pts.
Change from previous year	 -20 pts.	 -15 pts.	 -3 pts.	 -4 pts.	 -8 pts.	 +2 pts.

Net difference: to increase – to decrease

Q: During the next 12 months, do you expect your company's...
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

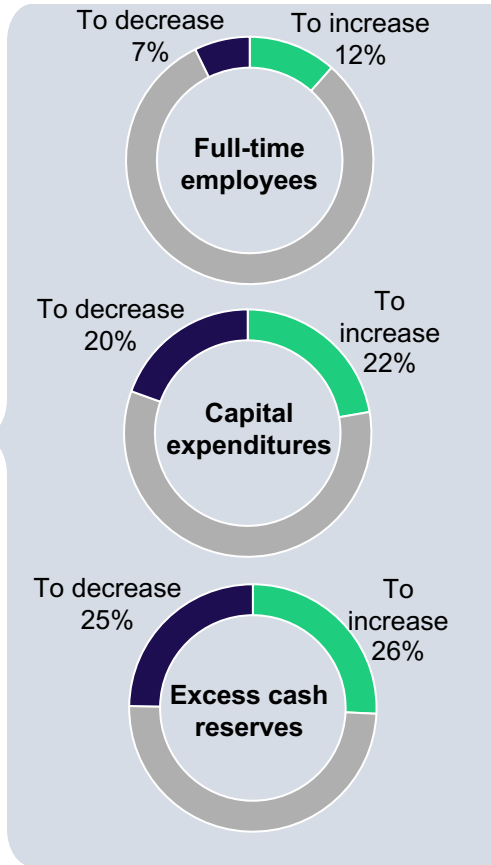
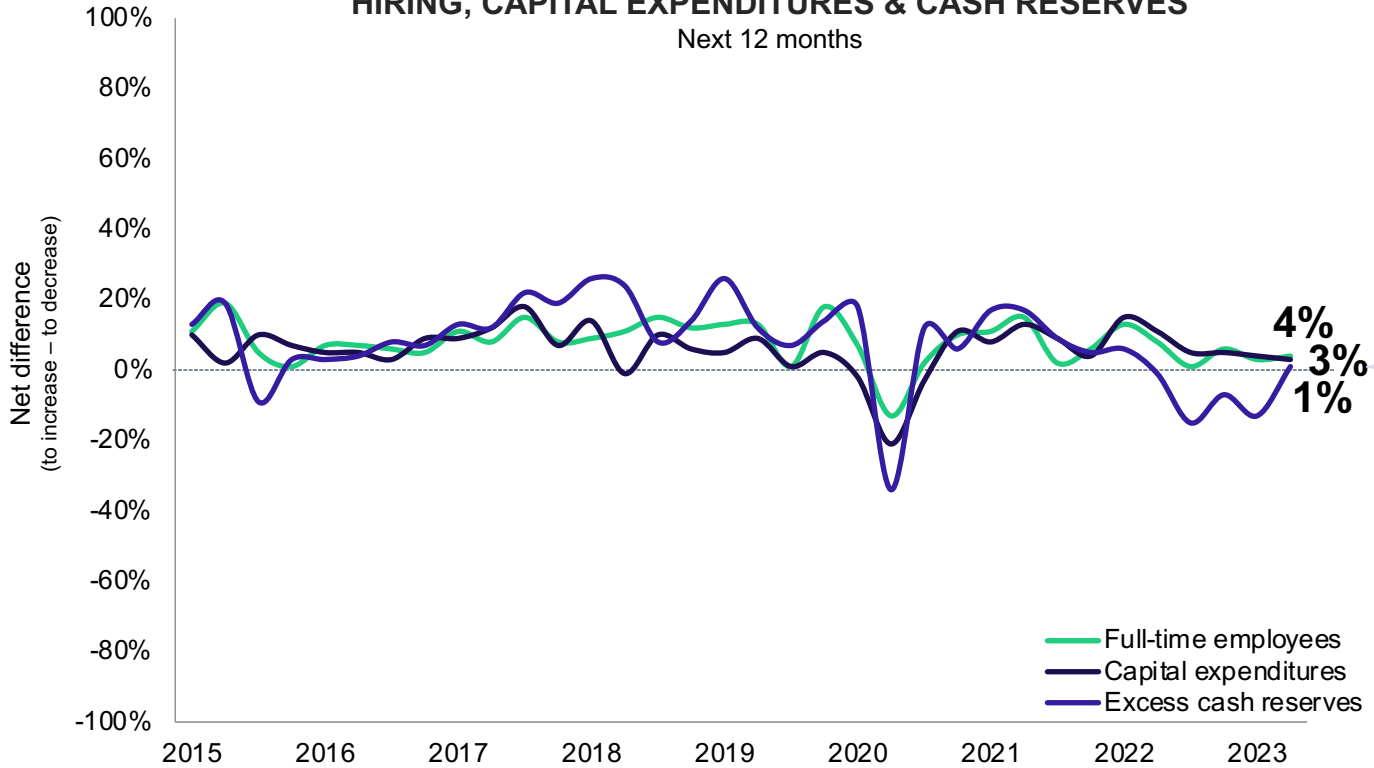
Most small businesses expect to hold their prices steady over the next 12 months



Q: During the next 12 months, do you expect your company's...
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Excess cash reserve expectations have improved after sitting at a negative net difference for a year

**SMALL BUSINESS EXPECTED
HIRING, CAPITAL EXPENDITURES & CASH RESERVES**
Next 12 months

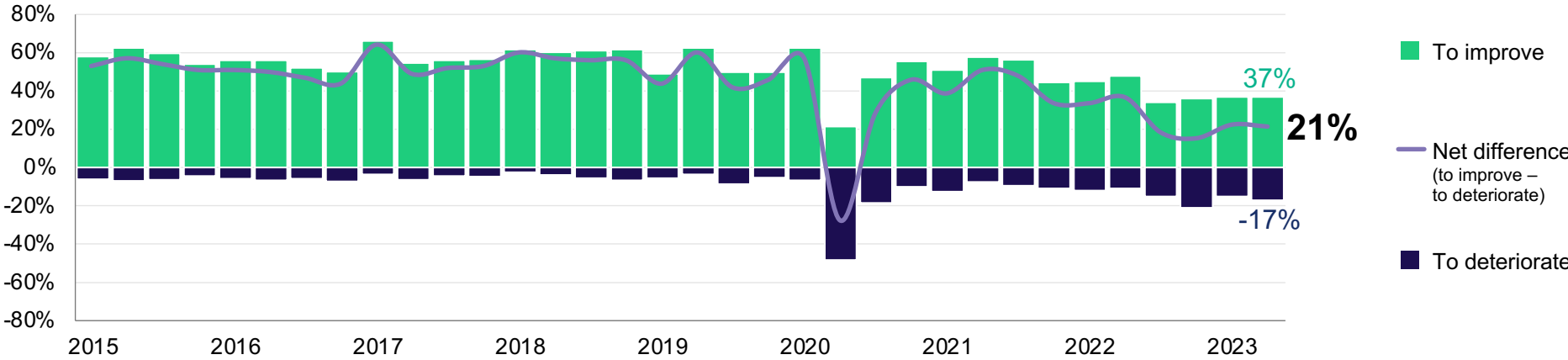


Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

Middle market financial condition expectations remained flat from the previous quarter and down year-over-year

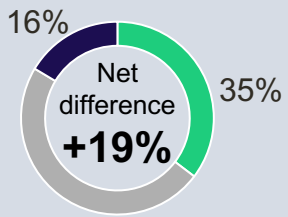
MIDDLE MARKET EXPECTED FINANCIAL CONDITION

Next 12 months

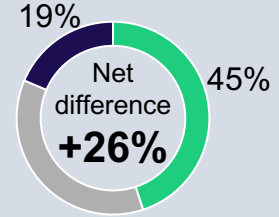


Net difference
+21%
 -1 pts. from last quarter
 -15 pts. from one year ago

\$10MM-<\$50MM



\$50MM-<\$500MM









Q: During the next 12 months, do you expect your company's overall financial condition to...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Apart from increased capital expenditure expectations, little is expected to change compared to the previous quarter in the middle market

MIDDLE MARKET NET DIFFERENCE CHANGES

Next 12 months

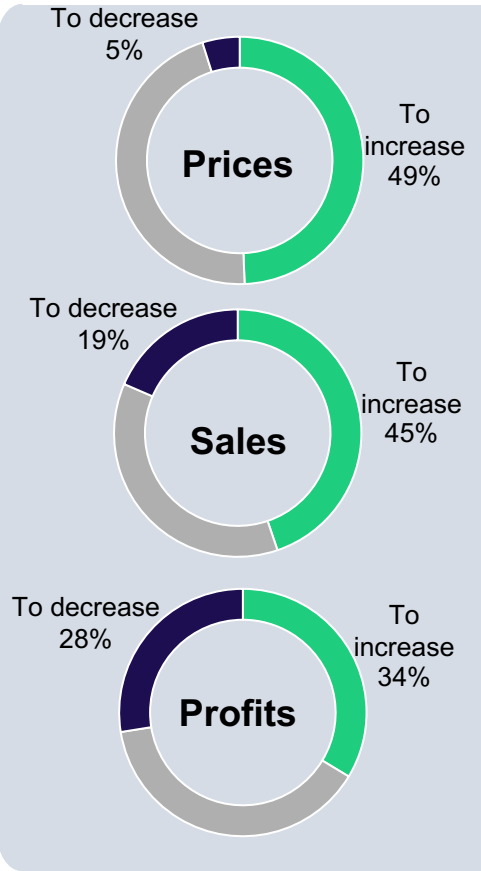
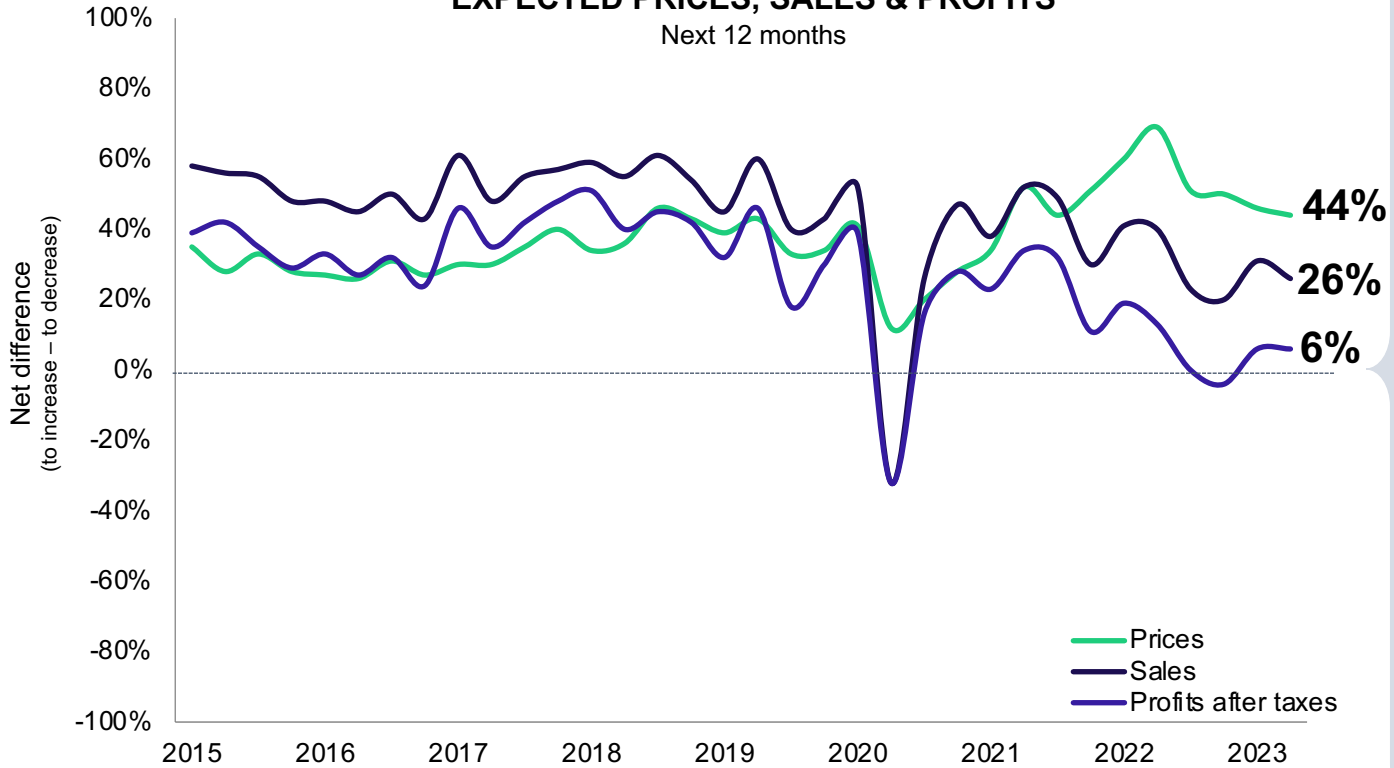
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	▼ -2 pts.	▼ -5 pts.	▼ 0 pts.	▼ 0 pts.	▲ +12 pts.	▼ -7 pts.
Change from previous year	▼ -25 pts.	▼ -14 pts.	▼ -7 pts.	▼ -13 pts.	▼ -2 pts.	▼ -3 pts.

Net difference: to increase – to decrease

Q: During the next 12 months, do you expect your company's...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

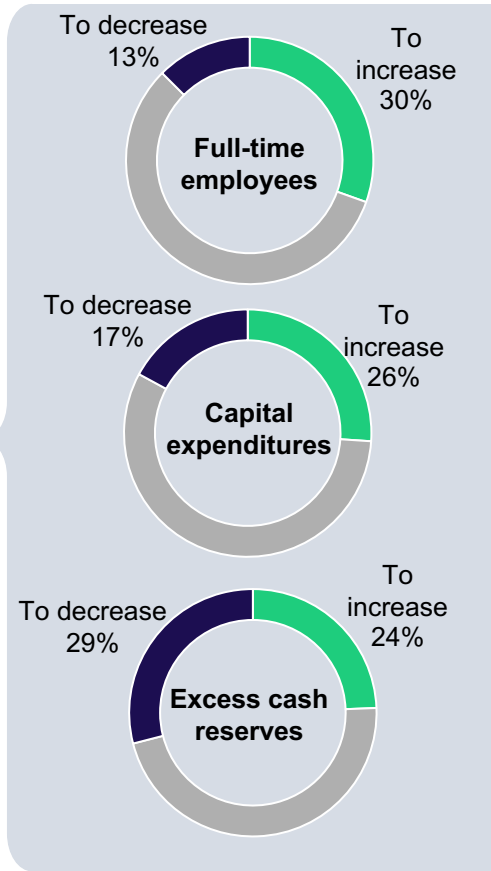
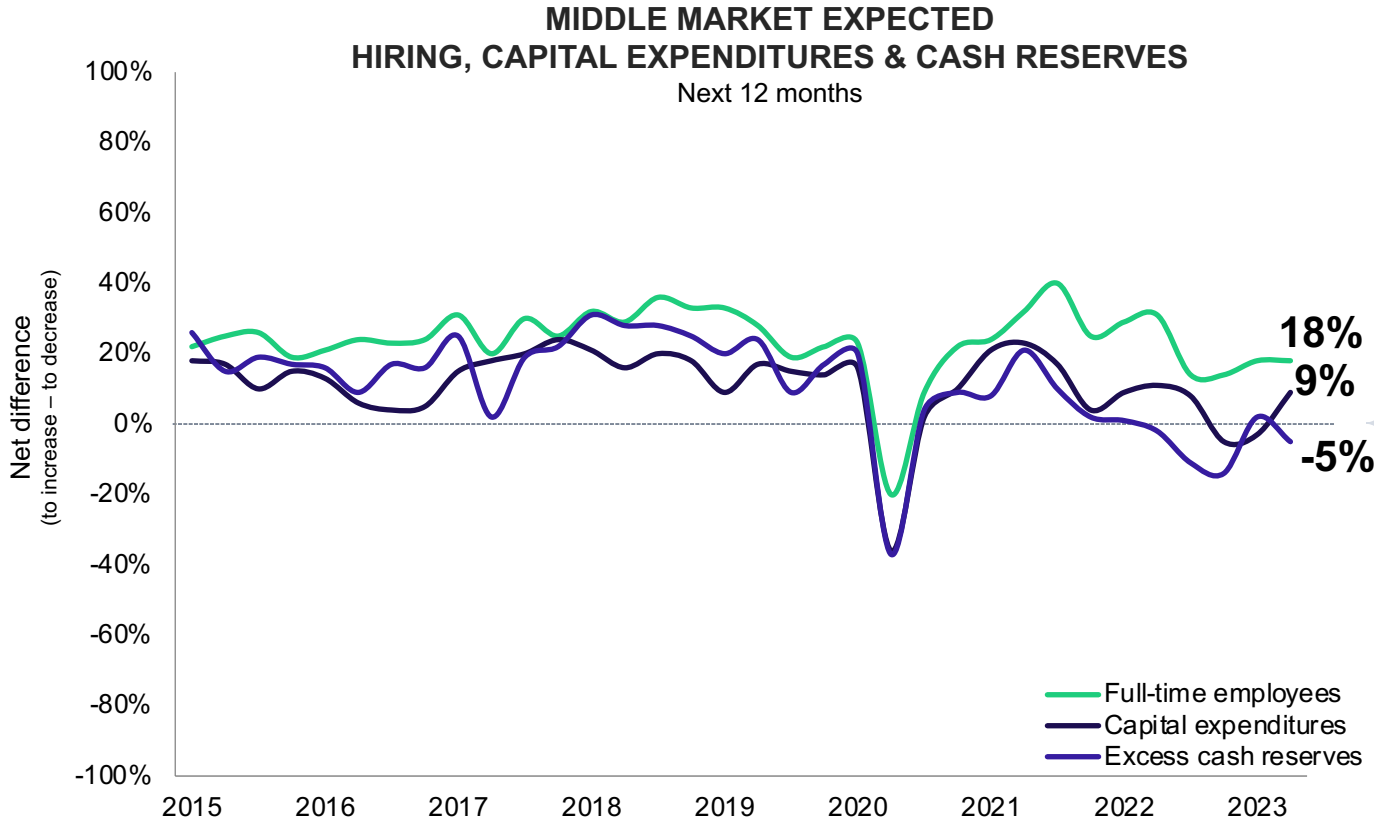
Price expectations remain elevated but have continued to stabilize

MIDDLE MARKET
EXPECTED PRICES, SALES & PROFITS
 Next 12 months



Q: During the next 12 months, do you expect your company's...
 \$10MM-~\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Middle market capital expenditure expectations improved after diminishing in 4Q22 and 1Q23



Q: During the next 12 months, do you expect your company's...
\$10MM-~\$500MM
BusinessPulse Quarterly Trending Data (ending 2Q2023)

03

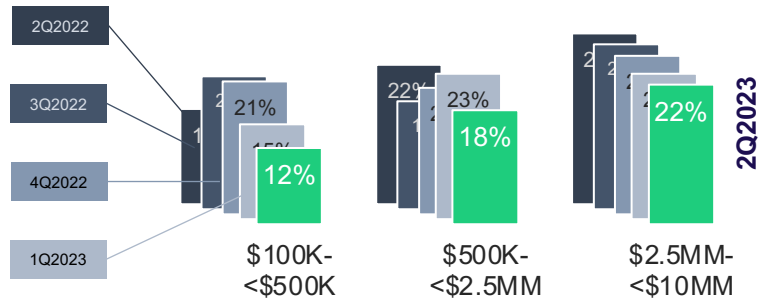
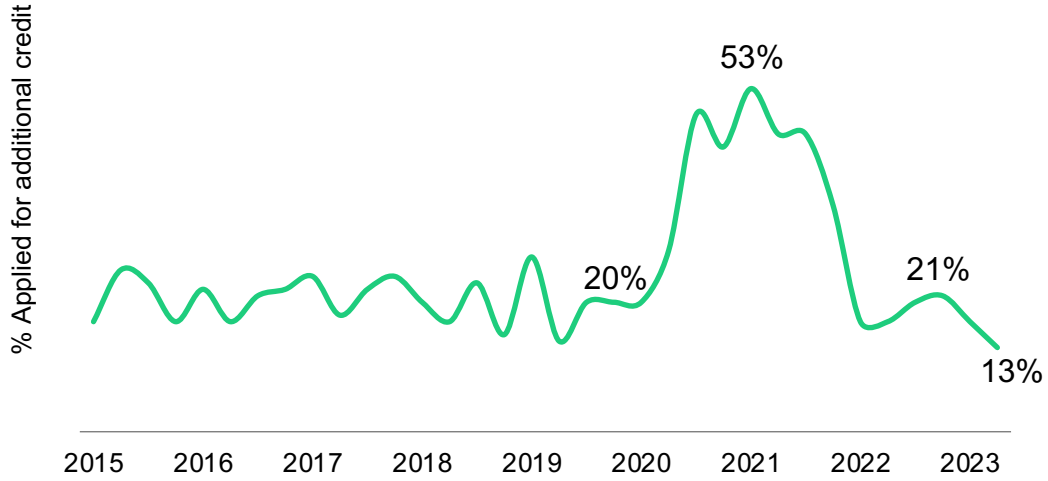
Credit outlook

Small business demand for additional credit decreased to its lowest level in over eight years

SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

CHANGE FROM 2Q2022

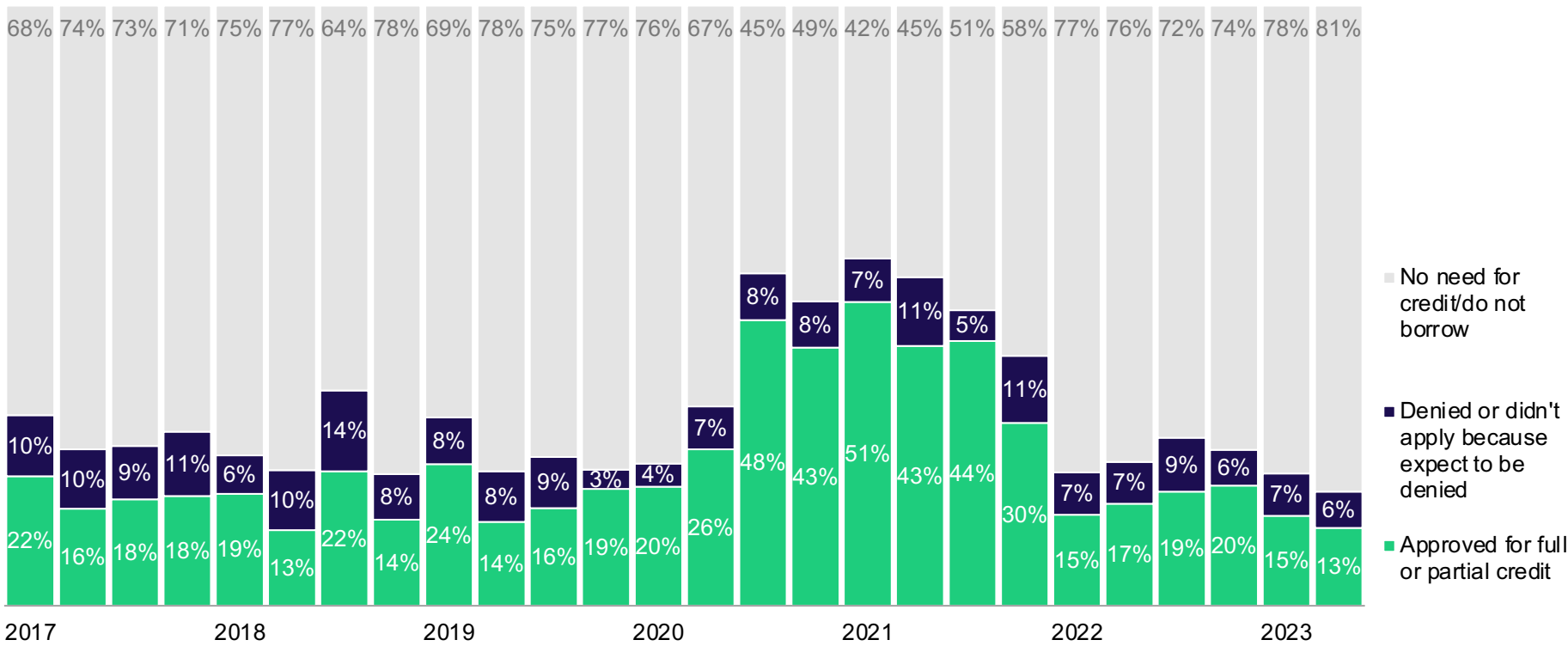
ADDITIONAL CREDIT APPLICATION TREND Including government relief



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Eight in ten small businesses indicated they do not need credit or do not borrow

SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT

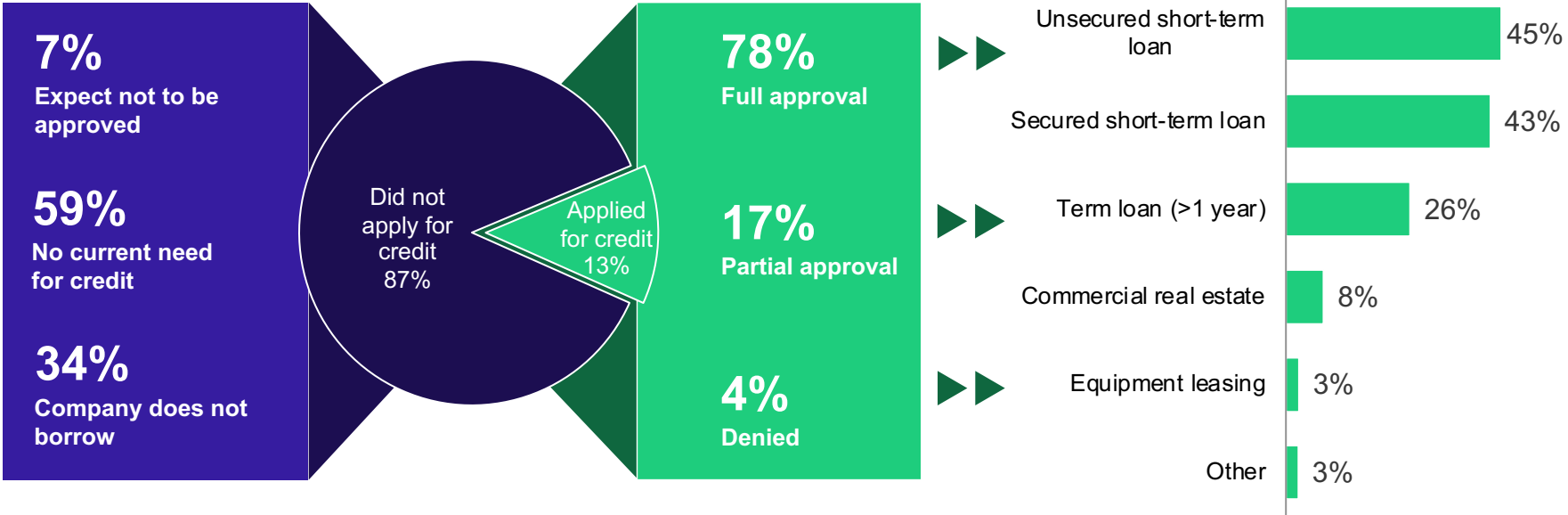


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Most that applied for additional credit were approved; yet 7% of those that did not apply held off because they expected not to be approved

SMALL BUSINESS CREDIT APPLICATION OUTCOME

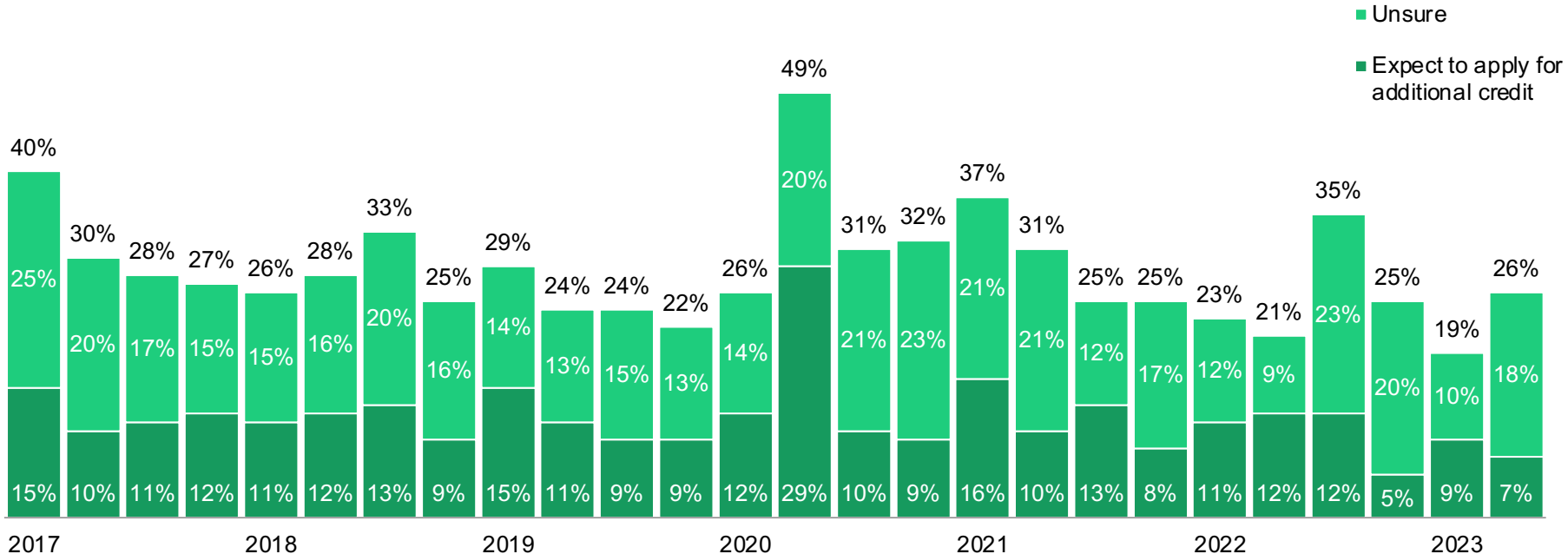
TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



\$100K-<\$10MM
 *Base: those that applied for additional credit
 BusinessPulse 2Q2023 Data

Approximately one in five small businesses were unsure if they will be applying for additional credit in the next 12 months

SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



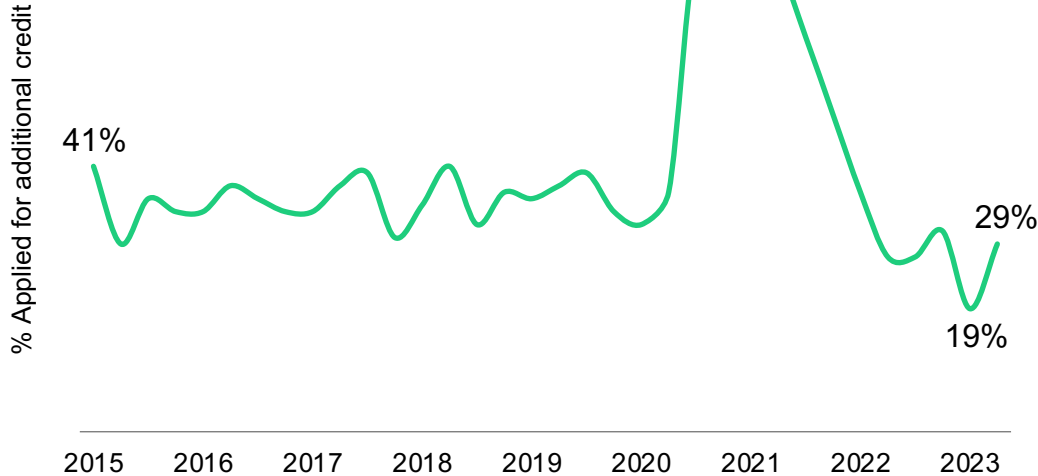
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Demand for additional credit in the middle market returned to levels seen at the end of 2022

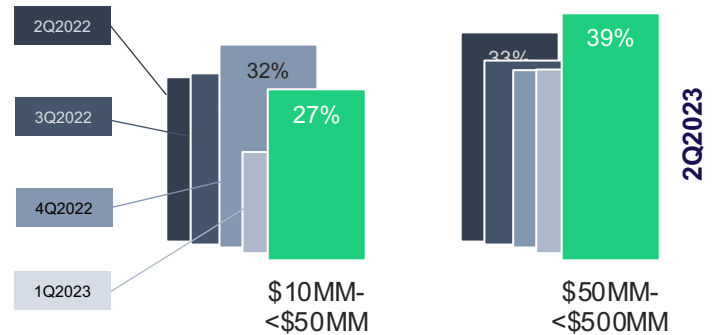
MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

ADDITIONAL CREDIT APPLICATION TREND

Including government relief 73%



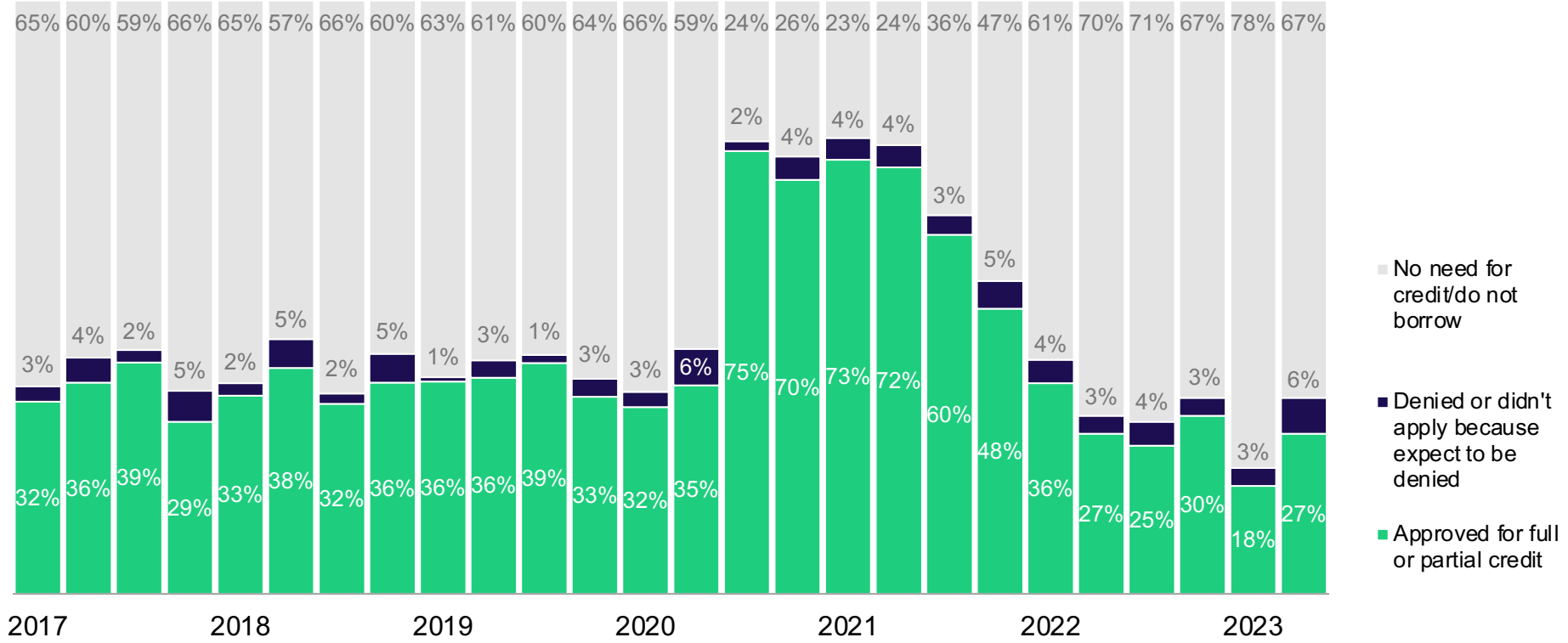
CHANGE FROM 2Q2022



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Fewer middle market companies indicated they do not have a need for additional credit/do not borrow

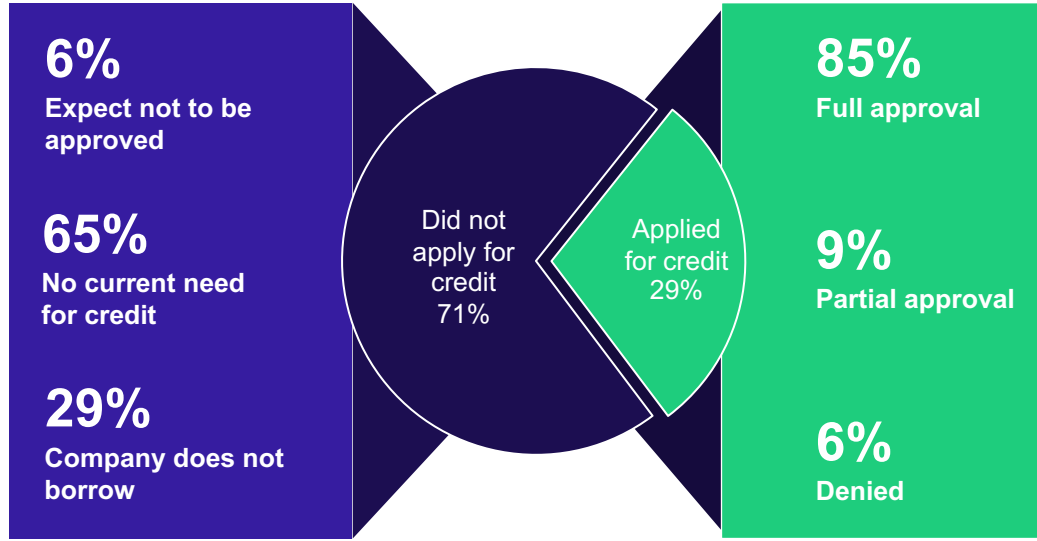
MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT



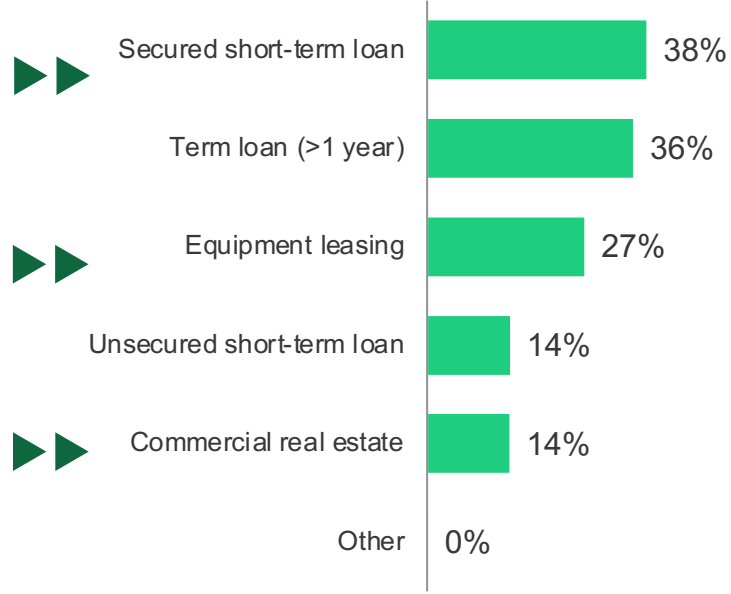
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)

Secured short-term loans and term loans were the most common types of credit requested

MIDDLE MARKET CREDIT APPLICATION OUTCOME



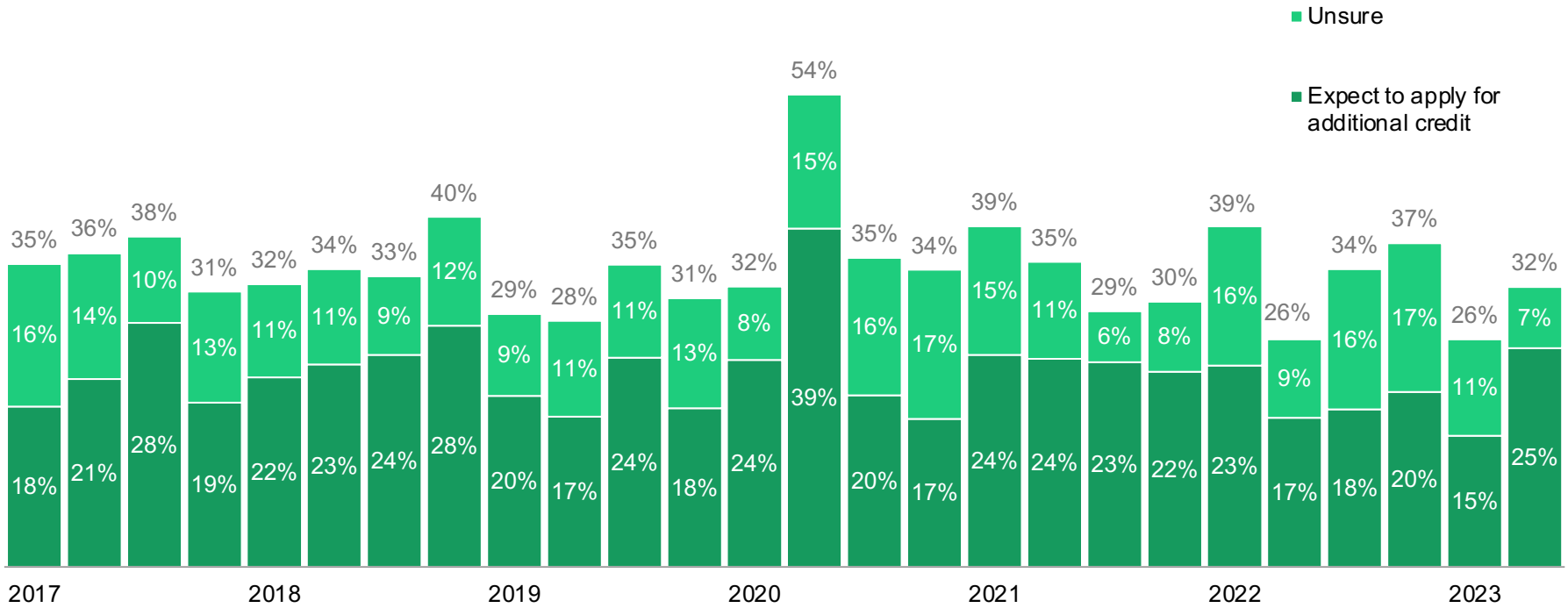
TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



\$10MM-<\$500MM
 *Base: those that applied for additional credit
 BusinessPulse 2Q2023 Data

A quarter of middle market companies anticipate borrowing over the next 12 months, similar to the distribution in 2021

MIDDLE MARKET EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 2Q2023)



Methodology

This BusinessPulse report contains data from surveys conducted in the second quarter of 2023 by Barlow Research, involving a sample of 425 small businesses and 358 middle market companies. Companies surveyed include all SIC categories except depository institutions, U.S. postal services, private households, bank holding companies and commercial non-physical research. (All Pulse Survey respondents previously participated in Barlow Research's small business or middle market banking surveys.)

Small Business

(\$100K-<\$10MM)

425

Respondents
by mail or online

37.3%

Response rate

±4.75% at 95%

Max error factor

Fielding period

April 3 – April 18, 2023

Middle Market

(\$10MM-<\$500MM)

358

Respondents
by mail or online

31.4%

Response rate

±5.18% at 95%

Max error factor

Weighted

By geography and sales volume

33



LiveOakBank.

BUSINESSPULSE

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