

# BUSINESSPULSE

Third 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 business expectations about their own financial condition improved. Although many remain concerned about the economy, perceptions of the economy have also improved from 2Q23.
2. Improved sales and profits have helped many small businesses feel more optimistic about the next 12 months.
3. Demand for additional credit continues to be limited in the small businesses segment.

## MIDDLE MARKET

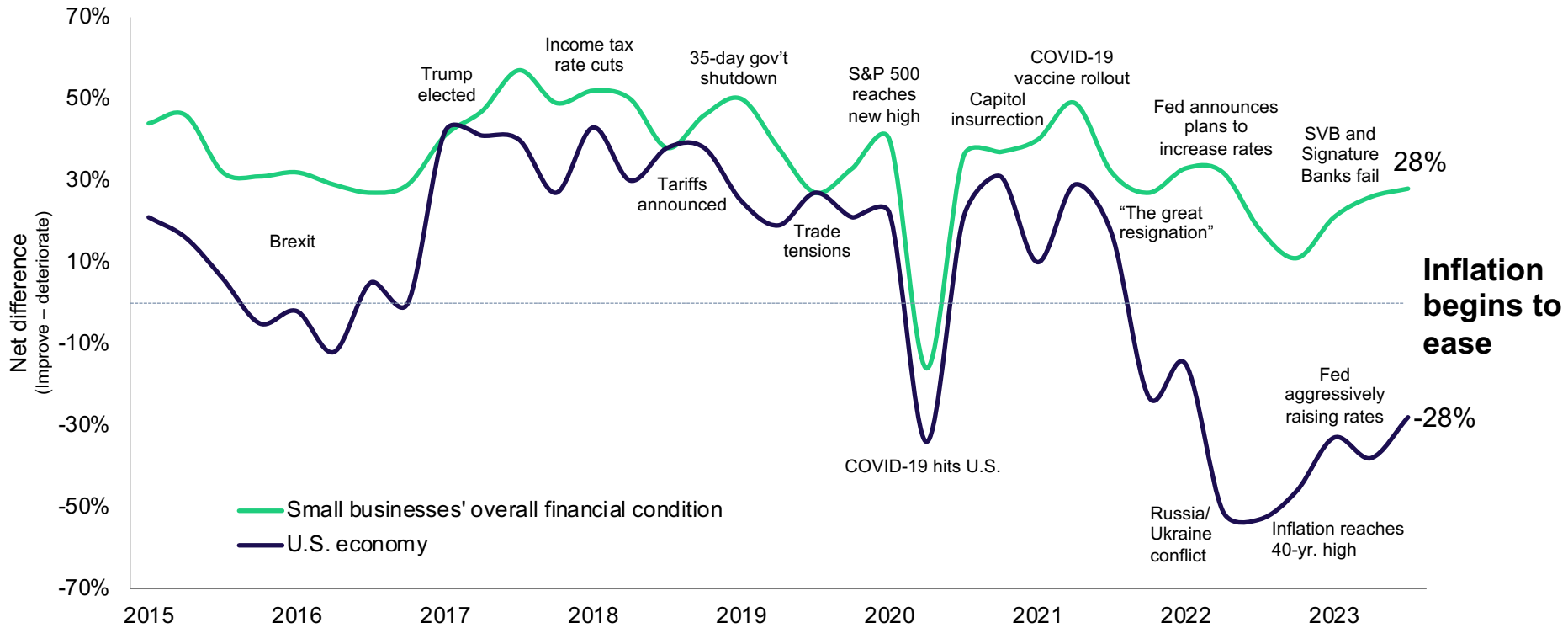
1. Middle market confidence in their own financial condition ticked up as inflation has eased.
2. Although expectations about the next 12 months are increasingly optimistic, middle market companies are navigating weaker sales and profits.
3. Demand for additional credit in the middle market remains lower than the pre-pandemic average.



# Small business expectations about their own financial condition and the U.S. economy improved; yet many still remain concerned about the economy

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

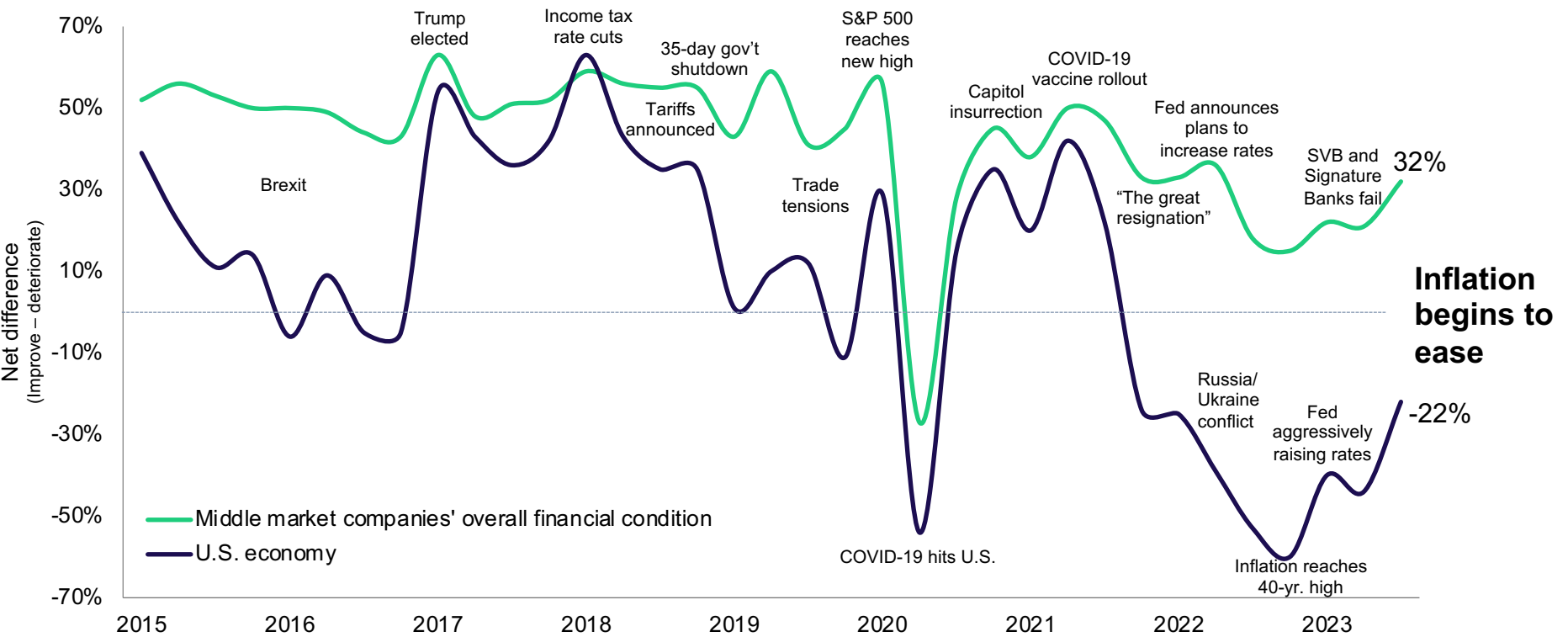
Next 12 months net difference



Q: During the next 12 months, do you expect your company's overall financial condition to...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Middle market expectations about their own financial condition and the U.S. economy improved in the third quarter 2022

MIDDLE MARKET EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY  
Next 12 months net difference



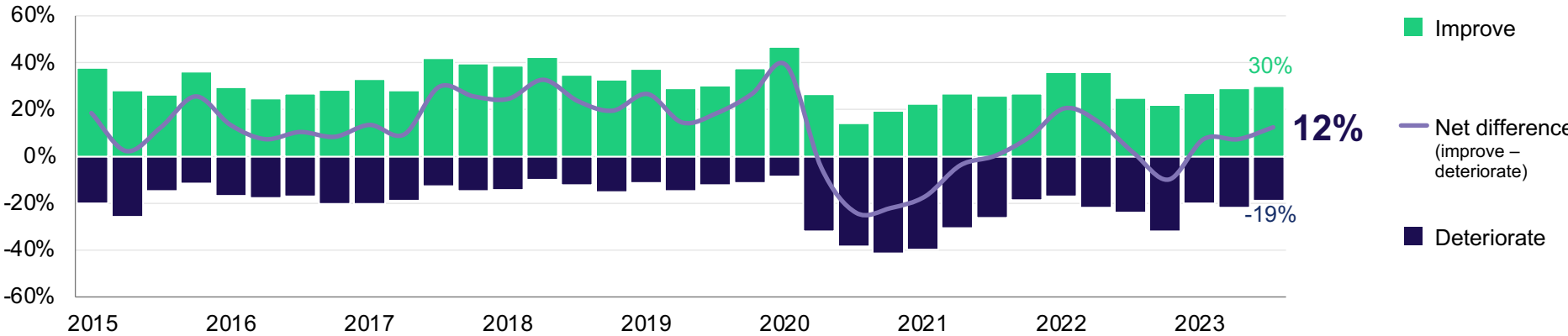
Q: During the next 12 months, do you expect your company's overall financial condition to...  
\$10MM-~500MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

01

# Retrospective economic position

# Small business financial positions remained relatively unchanged since the beginning of 2023

**SMALL BUSINESS FINANCIAL CONDITION**  
Past 12 months



**Net difference**

**+12%**

**+5 pts.** from last quarter

**+11 pts.** from one year ago

**\$100K-<\$500K**

17% Deteriorate, 29% Improve

Net difference **+12%**

**\$500K-<\$2.5MM**

25% Deteriorate, 35% Improve

Net difference **+10%**

**\$2.5MM-<\$10MM**


















27% Deteriorate, 34% Improve

Net difference **+7%**

**Q: During the last 12 months, did your company's overall financial condition...**  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Small business sales, profits and excess cash reserves improved from one year ago

## SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	  <b>+7 pts.</b>	  <b>+6 pts.</b>	  <b>+5 pts.</b>	  <b>+1 pts.</b>	  <b>+7 pts.</b>	 <b>0 pts.</b>
Change from previous year	 <b>-6 pts.</b>	 <b>+7 pts.</b>	 <b>+13 pts.</b>	 <b>-6 pts.</b>	 <b>-4 pts.</b>	 <b>+10 pts.</b>

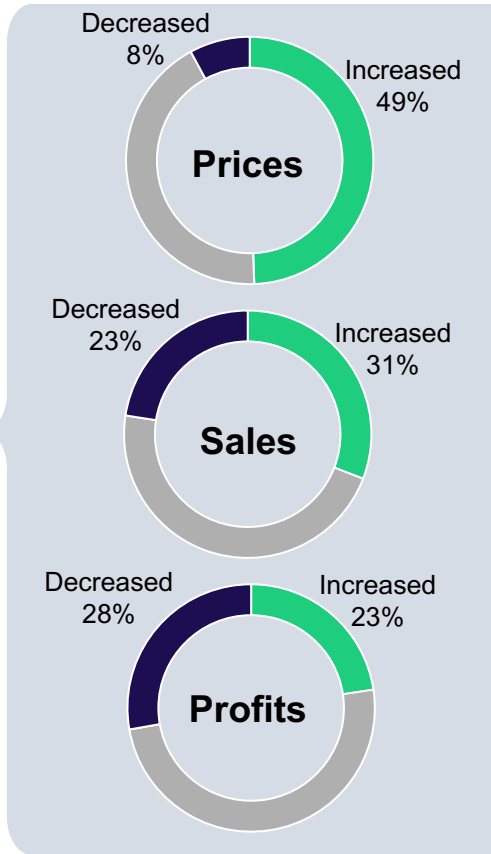
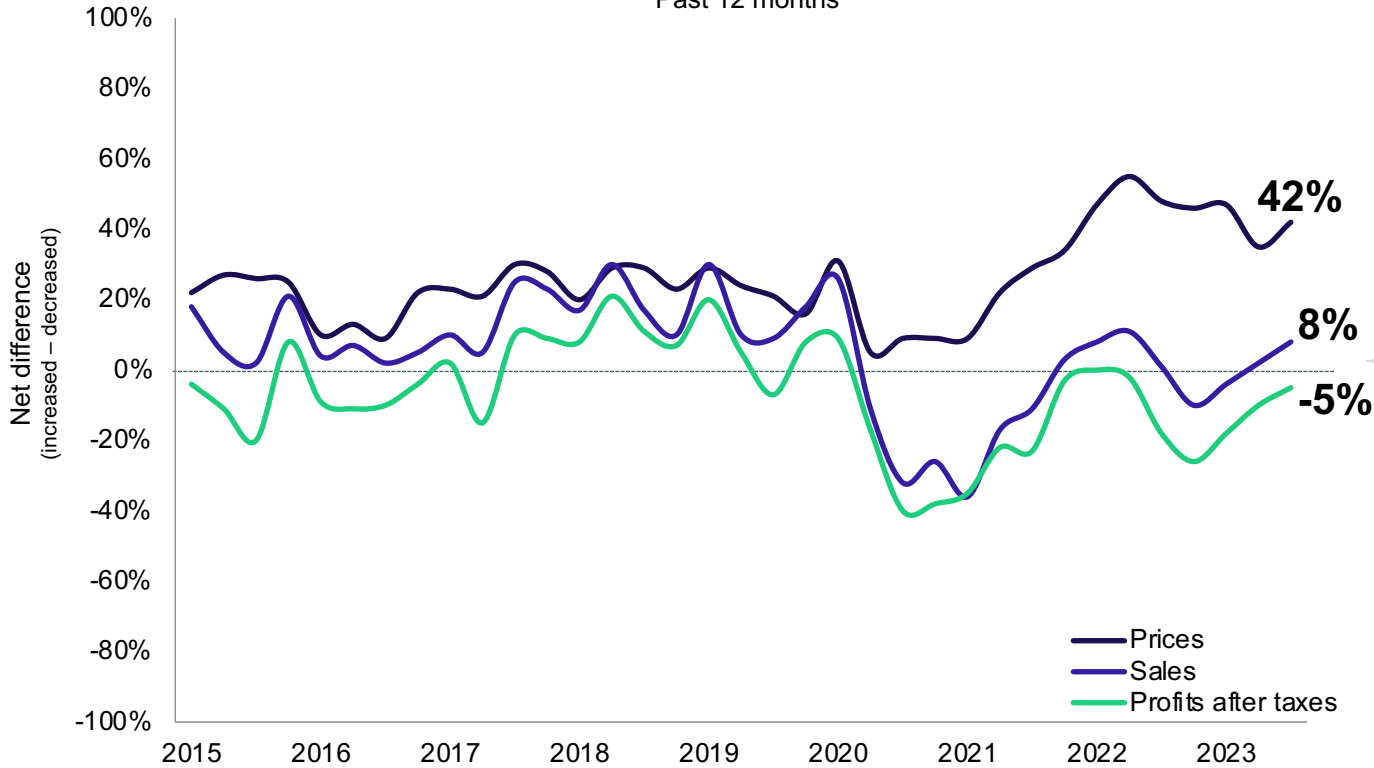
Net difference: increased – decreased

Q: During the last 12 months, did your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)



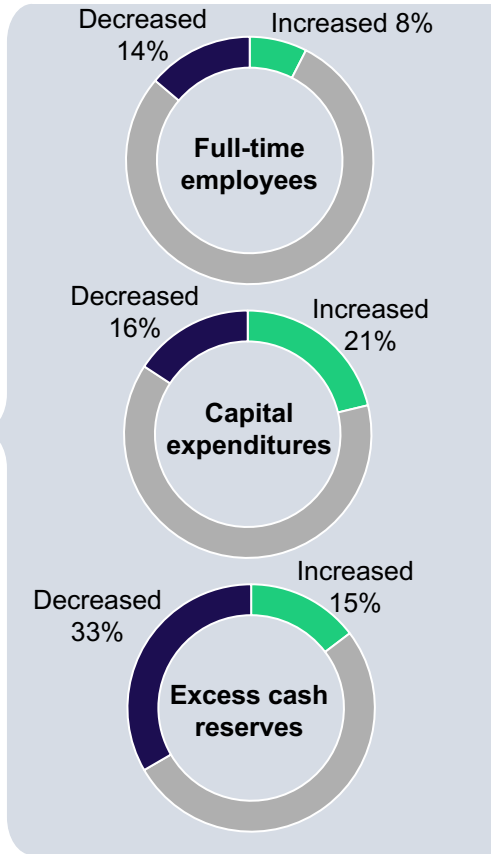
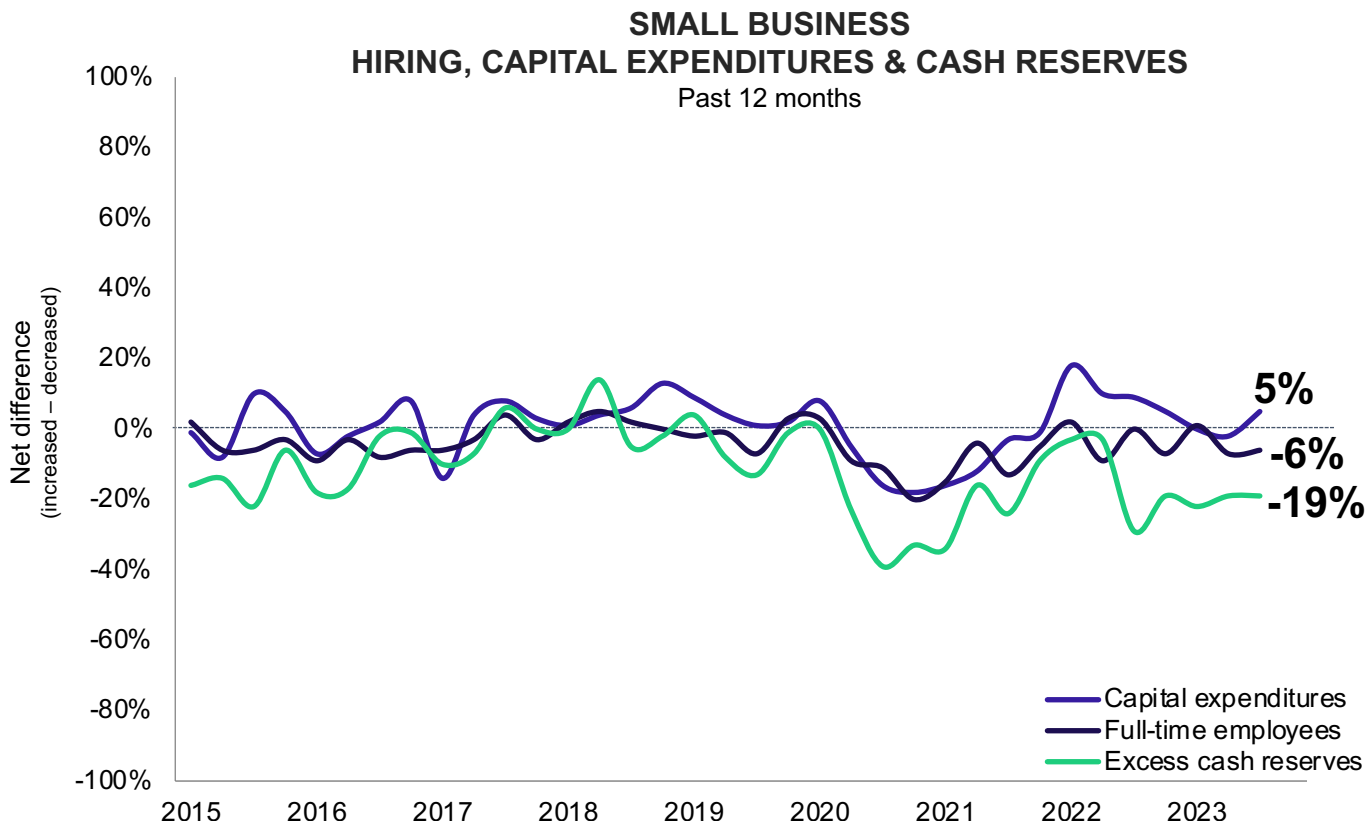
# Sales and profits increased for a third consecutive quarter

**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 3Q2023)

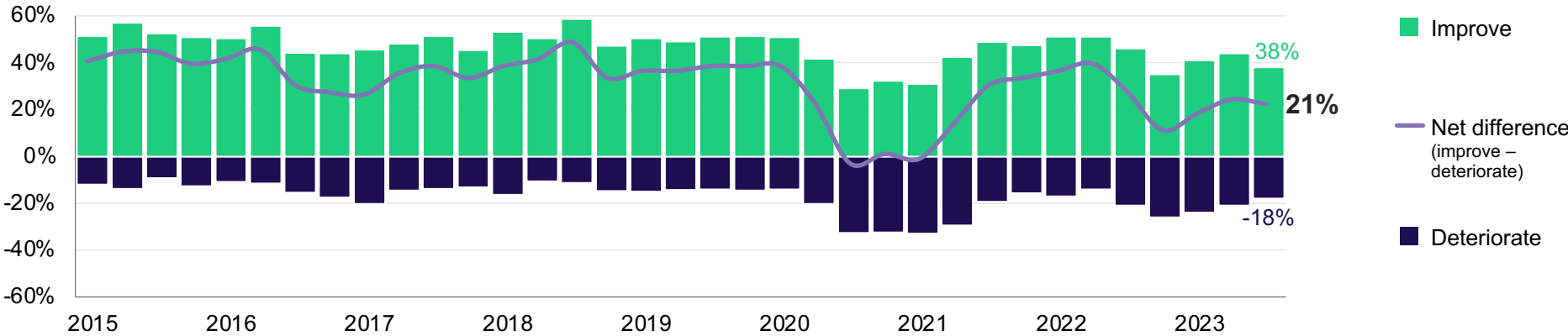
# Capital expenditures increased for the first time since the first quarter 2022



Q: During the last 12 months, did your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Middle market financial conditions leveled out in the third quarter of 2022

**MIDDLE MARKET FINANCIAL CONDITION**  
Past 12 months



**Net difference**

**+21%**

-2 pts. from last quarter

-5 pts. from one year ago

**\$10MM-<\$50MM**

18% Deteriorate, 37% Improve

**Net difference +19%**

**\$50MM-<\$500MM**



















17% Deteriorate, 44% Improve

**Net difference +26%**

Q: During the last 12 months, did your company's overall financial condition...  
\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Middle market sales have declined over the past year

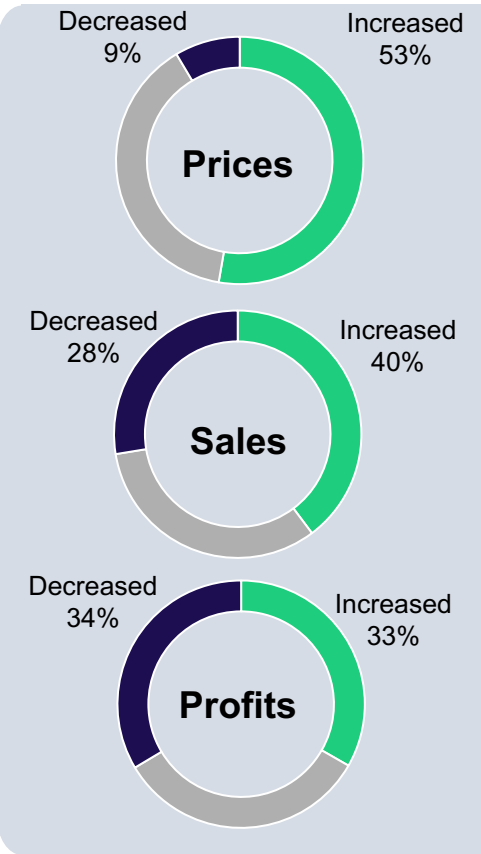
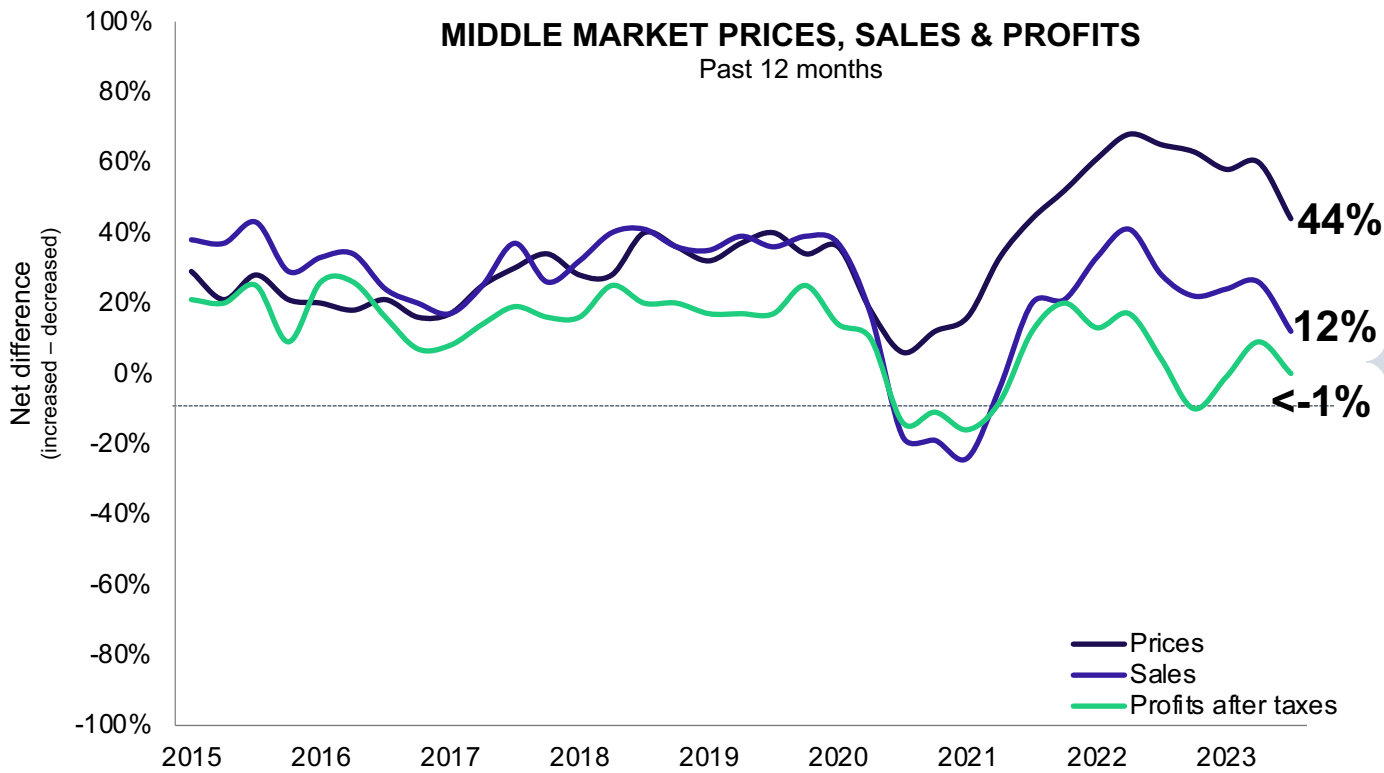
## MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

	Prices 	Sales 	Profits 	Full-time employees 	Capital expenditures 	Excess cash reserves 
Change from previous quarter	 <b>-16</b> pts.	 <b>-14</b> pts.	 <b>-9</b> pts.	 <b>+4</b> pts.	 <b>-3</b> pts.	 <b>+3</b> pts.
Change from previous year	 <b>-21</b> pts.	 <b>-16</b> pts.	 <b>-4</b> pts.	 <b>+4</b> pts.	 <b>+5</b> pts.	 <b>+10</b> pts.

Net difference: increased – decreased

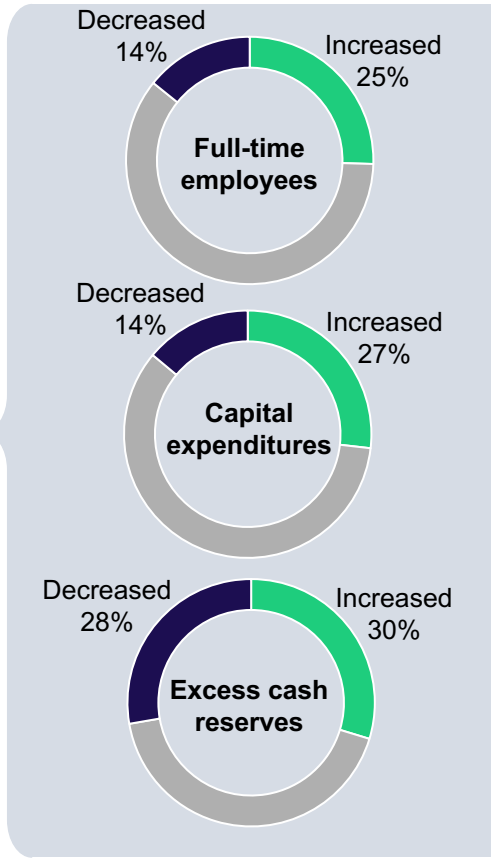
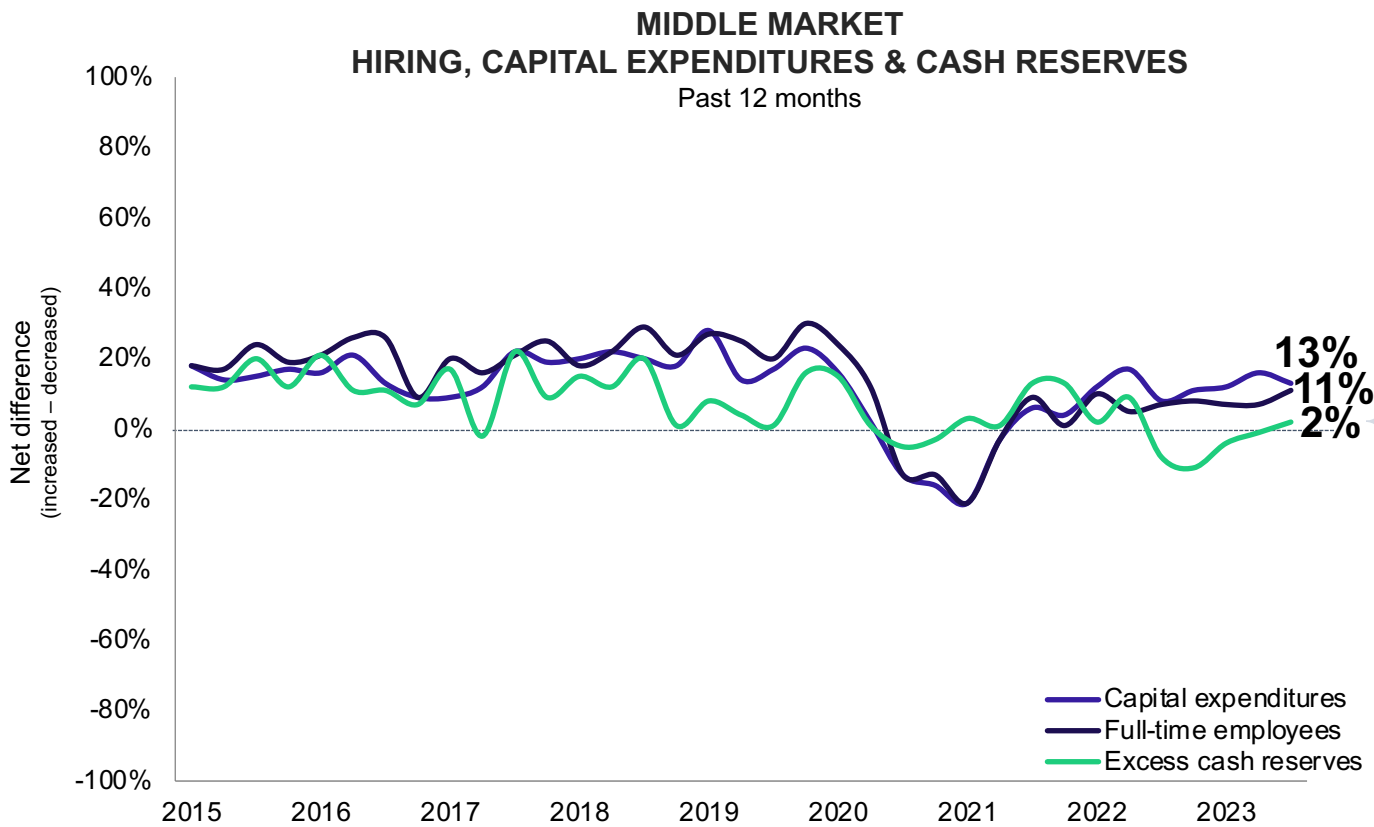
Q: During the last 12 months, did your company's...  
\$10MM-~\$500MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Decreased net difference prices in the middle market reflect more companies holding prices steady (and fewer increasing) rather than substantially more companies decreasing prices



Q: During the last 12 months, did your company's...  
\$10MM-~\$500MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Excess cash reserves have slowly increased since 4Q22



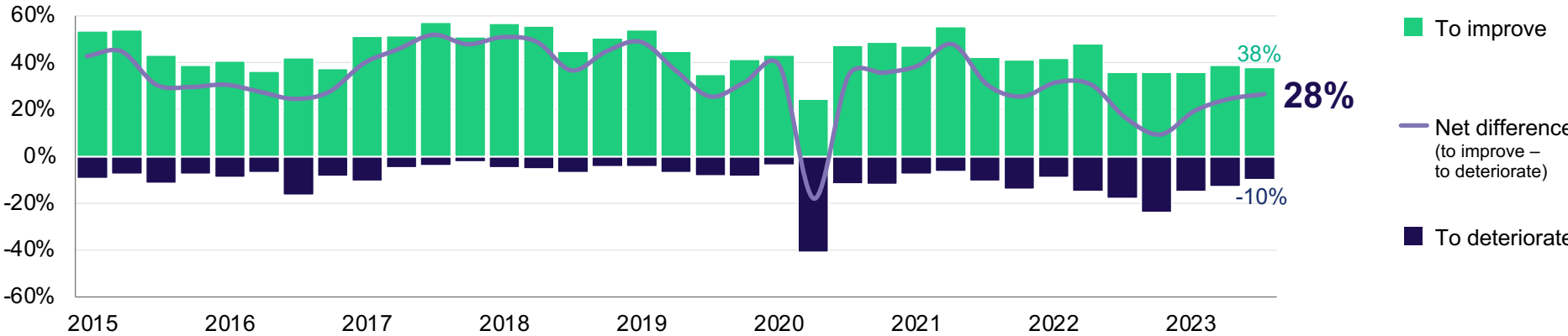
Q: During the last 12 months, did your company's...  
\$10MM-~\$500MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

02

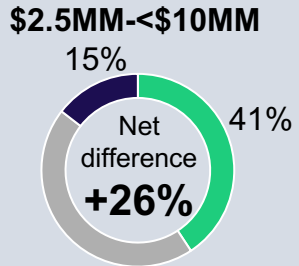
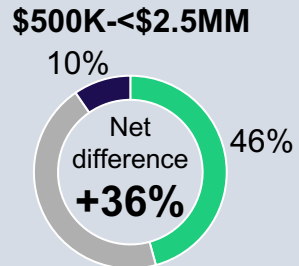
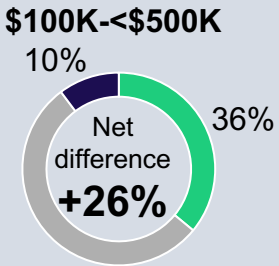
# Expected economic position

# Small businesses' outlook improved slightly; companies with \$500K- <\$2.5MM in sales were most optimistic

**SMALL BUSINESS EXPECTED FINANCIAL CONDITION**  
Next 12 months



Net difference  
**+28%**  
+2 pts. from last quarter  
+10 pts. from one year ago



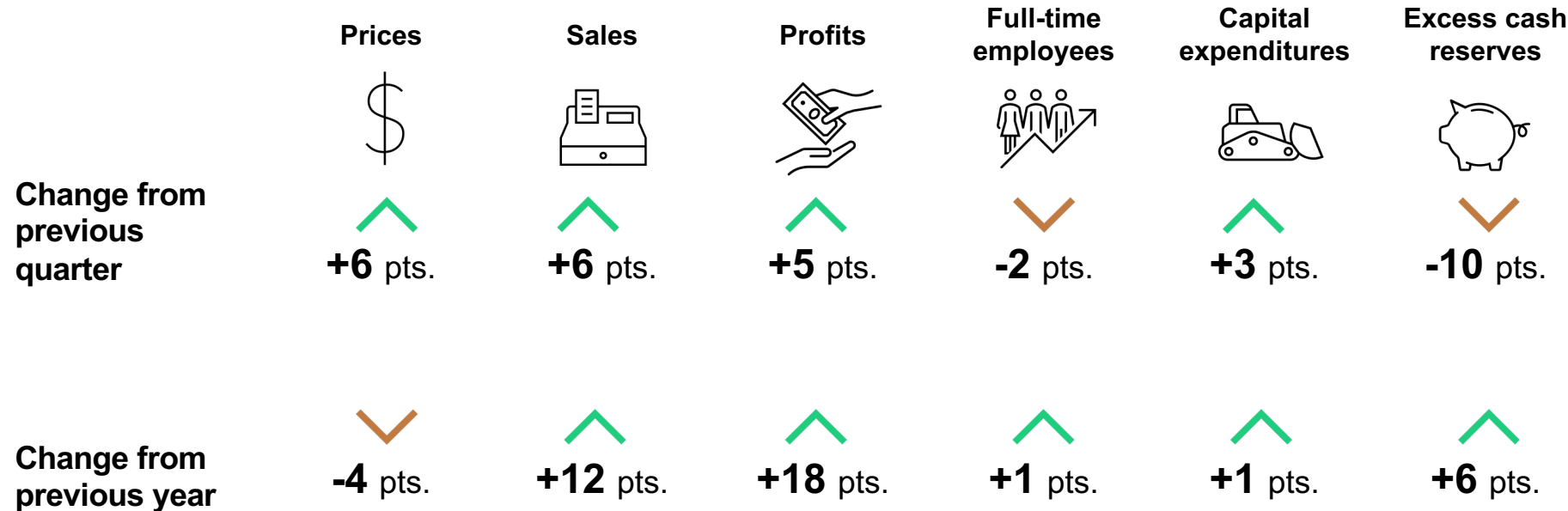
Q: During the next 12 months, do you expect your company's overall financial condition to...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)



# Compared to one year ago, small businesses have a more positive outlook on their sales and profits

## SMALL BUSINESS NET DIFFERENCE CHANGES

Next 12 months

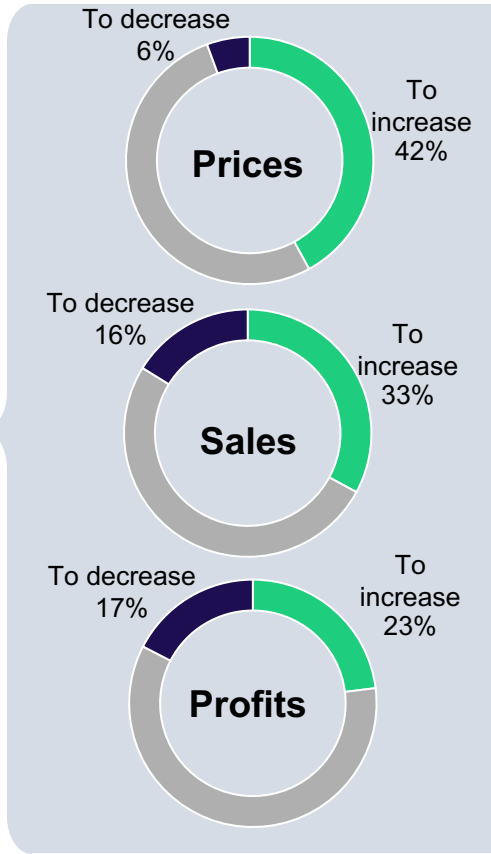
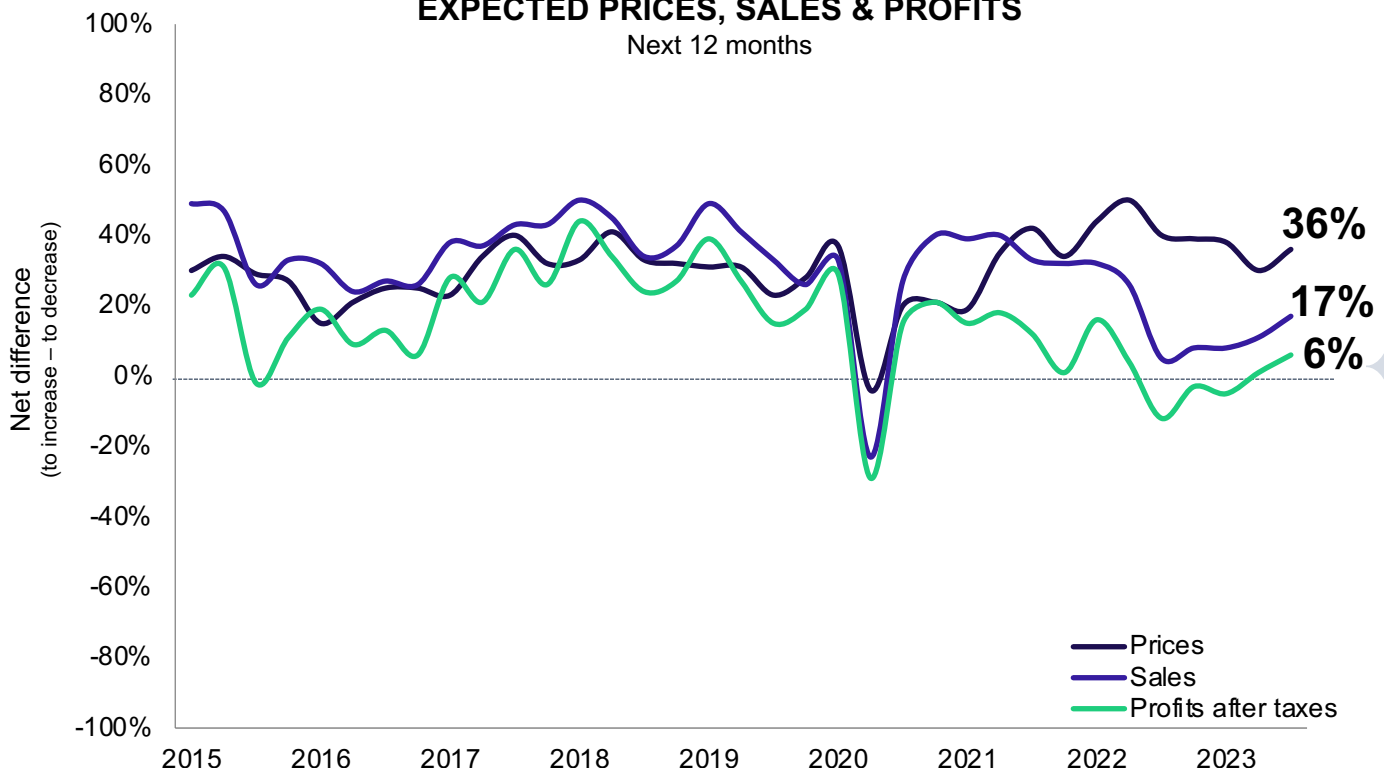


Net difference: to increase – to decrease

Q: During the next 12 months, do you expect your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Sales and profit expectations continued to improve from a low point in 3Q22

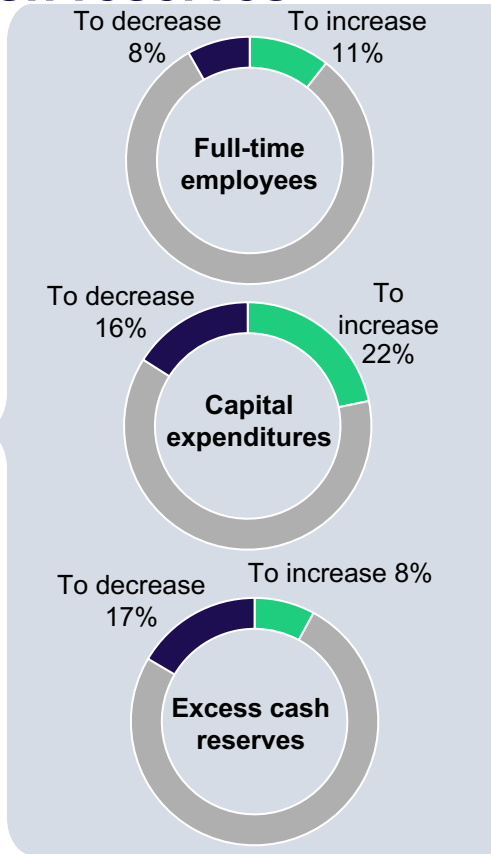
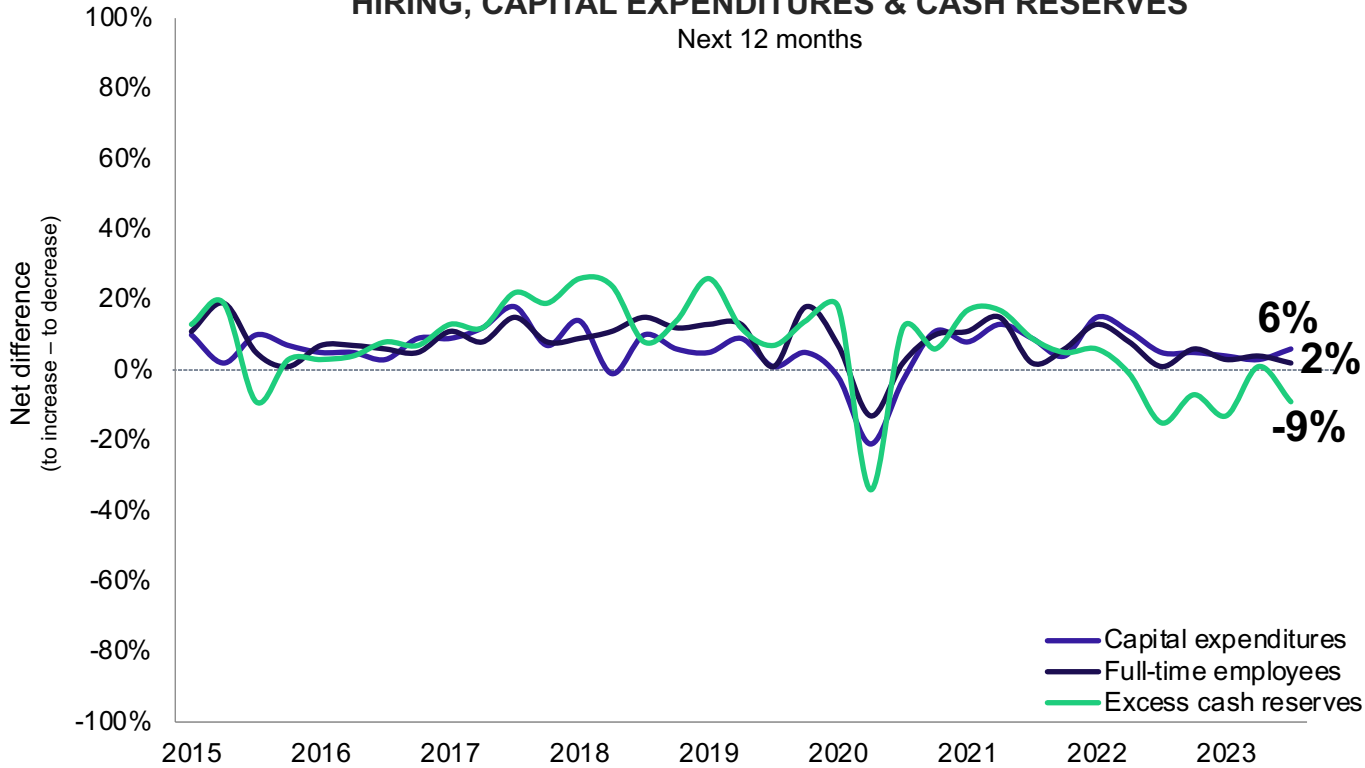
**SMALL BUSINESS  
EXPECTED PRICES, SALES & PROFITS**  
Next 12 months



Q: During the next 12 months, do you expect your company's...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Net difference excess cash reserve expectations turned negative once again with nearly one in five anticipating decreased cash reserves

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

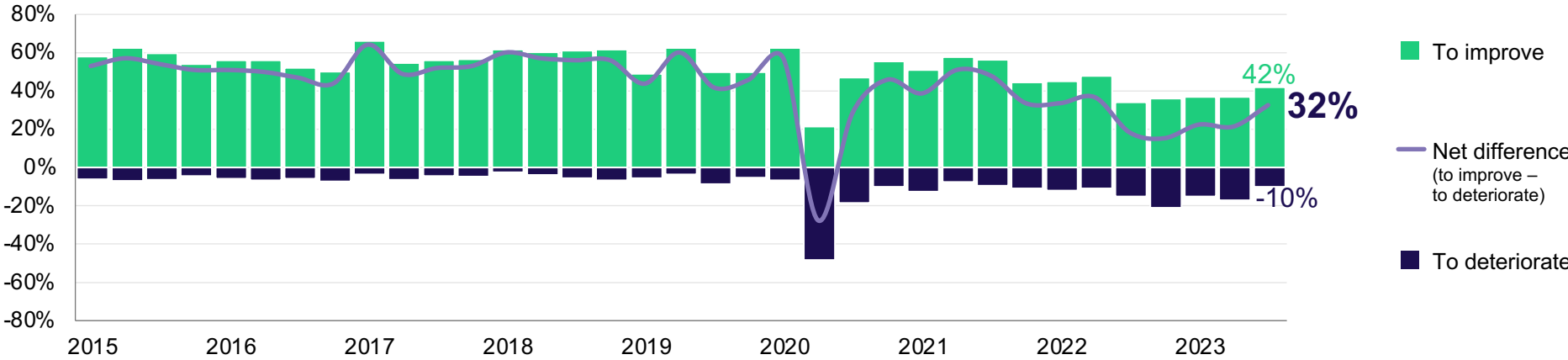


**Q: During the next 12 months, do you expect your company's...**  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Middle market financial condition expectations improved to their highest point in over a year

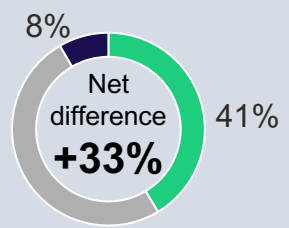
## MIDDLE MARKET EXPECTED FINANCIAL CONDITION

Next 12 months

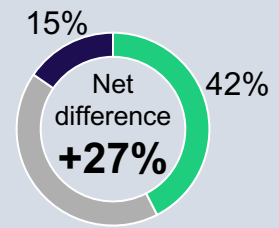


Net difference  
**+32%**  
 +11 pts. from last quarter  
 +14 pts. from one year ago

### \$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 3Q2023)

# Expectations for profits and excess cash reserves have increased quarter-over-quarter and year-over-year

## MIDDLE MARKET NET DIFFERENCE CHANGES

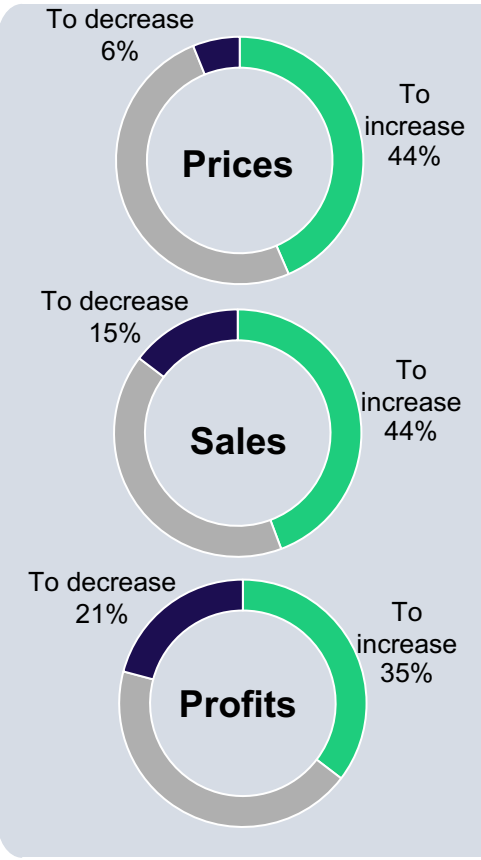
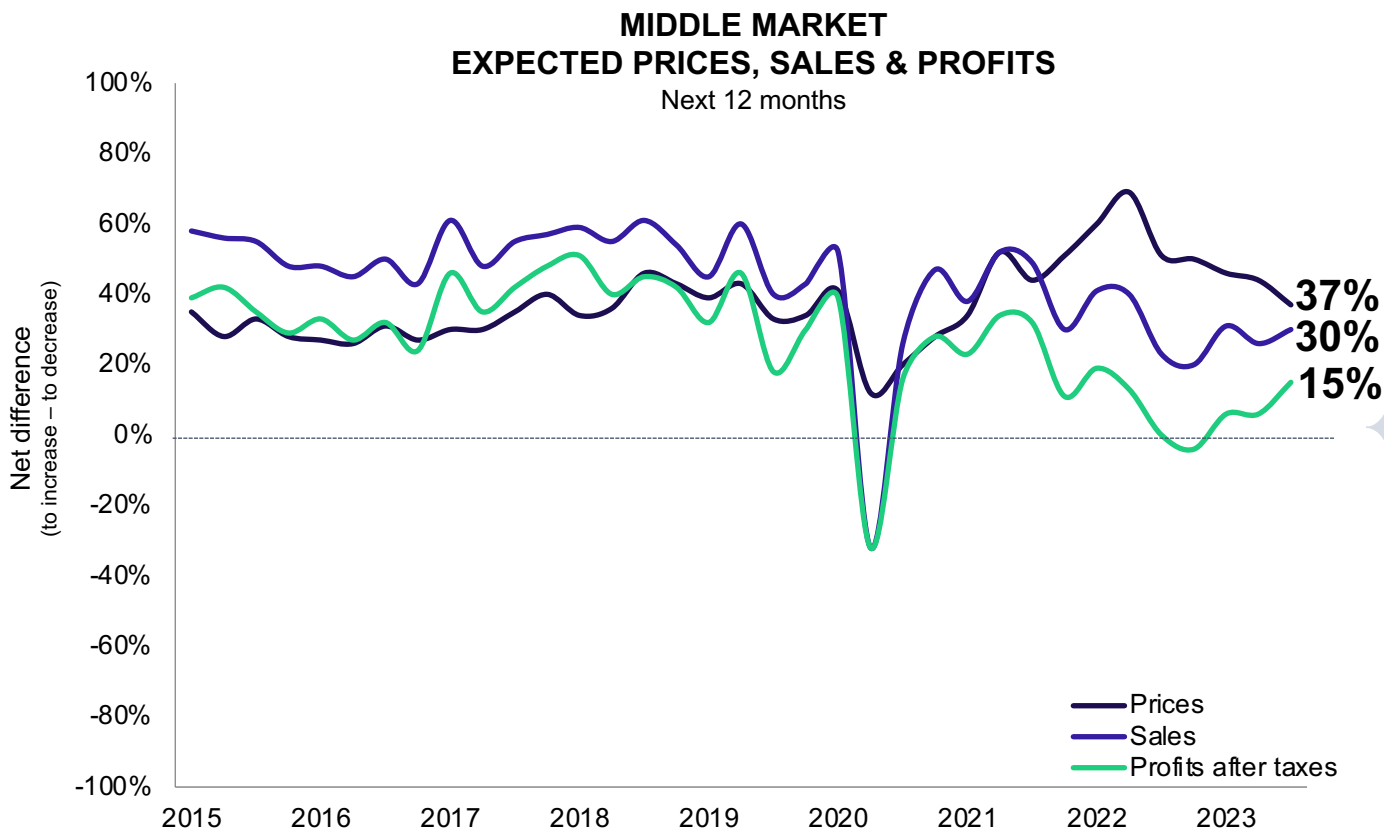
Next 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
<b>Change from previous quarter</b>	 <b>-7 pts.</b>	 <b>+4 pts.</b>	 <b>+9 pts.</b>	 <b>-1 pts.</b>	 <b>-8 pts.</b>	 <b>+9 pts.</b>
<b>Change from previous year</b>	 <b>-14 pts.</b>	 <b>+7 pts.</b>	 <b>+15 pts.</b>	 <b>+3 pts.</b>	 <b>-7 pts.</b>	 <b>+15 pts.</b>

Net difference: to increase – to decrease

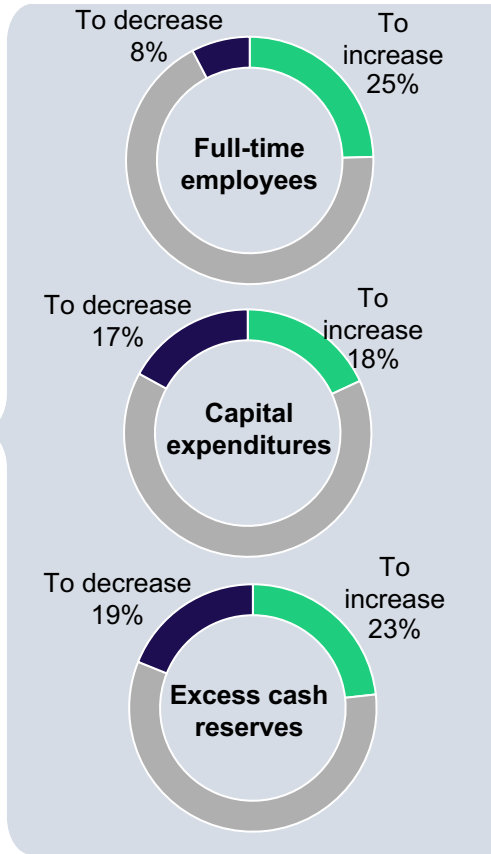
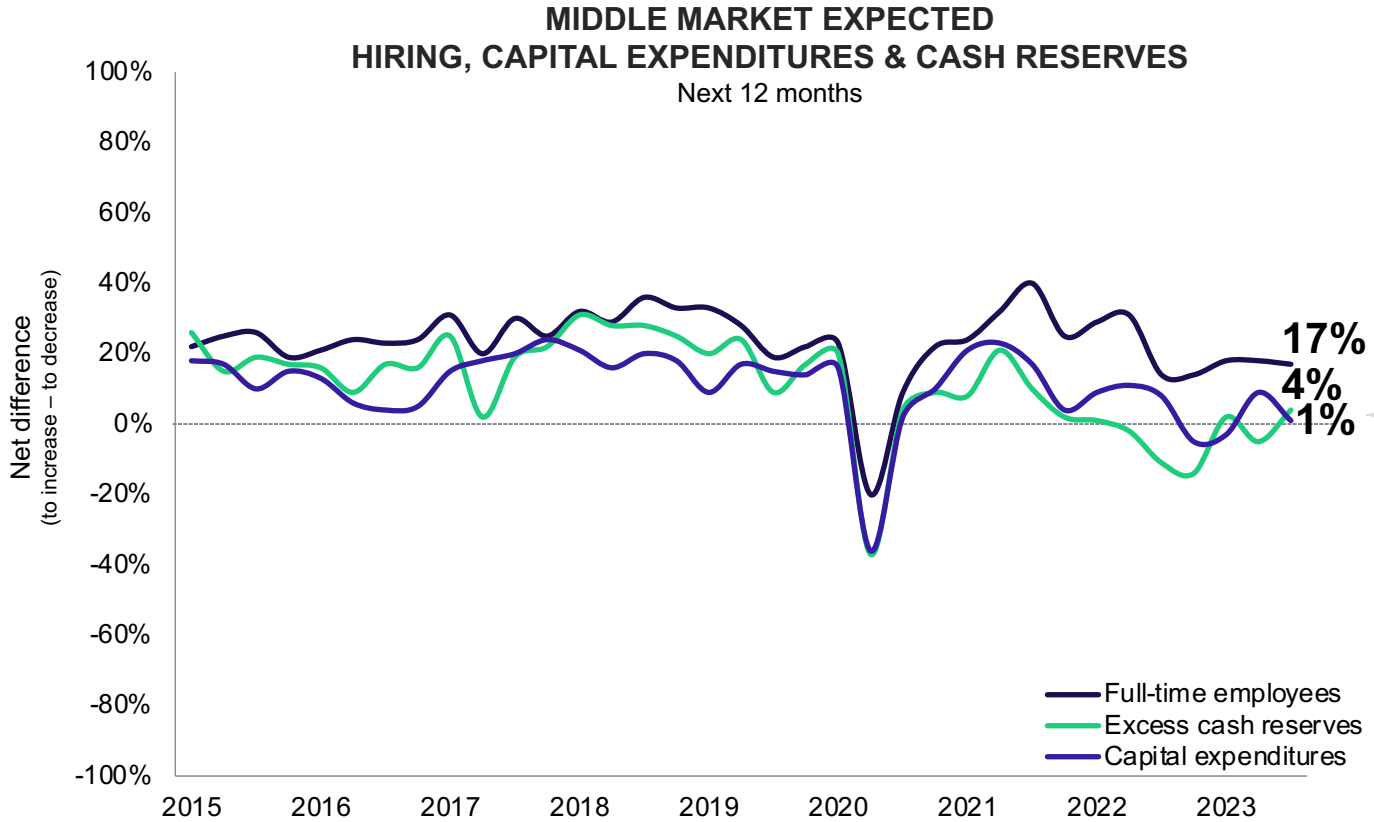
Q: During the next 12 months, do you expect your company's...  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Profit expectations continue to improve after falling in 2021 and 2022



**Q: During the next 12 months, do you expect your company's...**  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Net difference excess cash reserve expectations turned positive for only a second time since the beginning of 2022



**Q: During the next 12 months, do you expect your company's...**  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

03

# Credit outlook

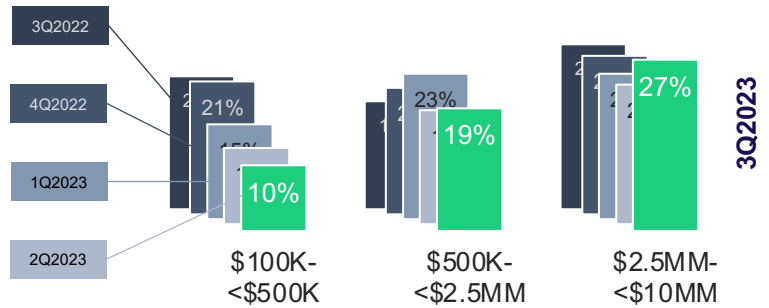
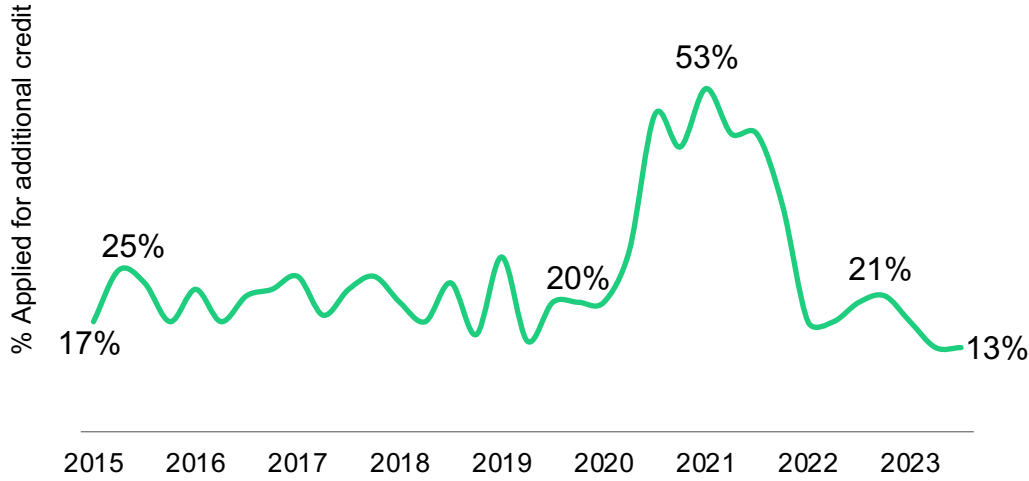


# Small business demand for additional credit remained very low

## SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

CHANGE FROM 3Q2022

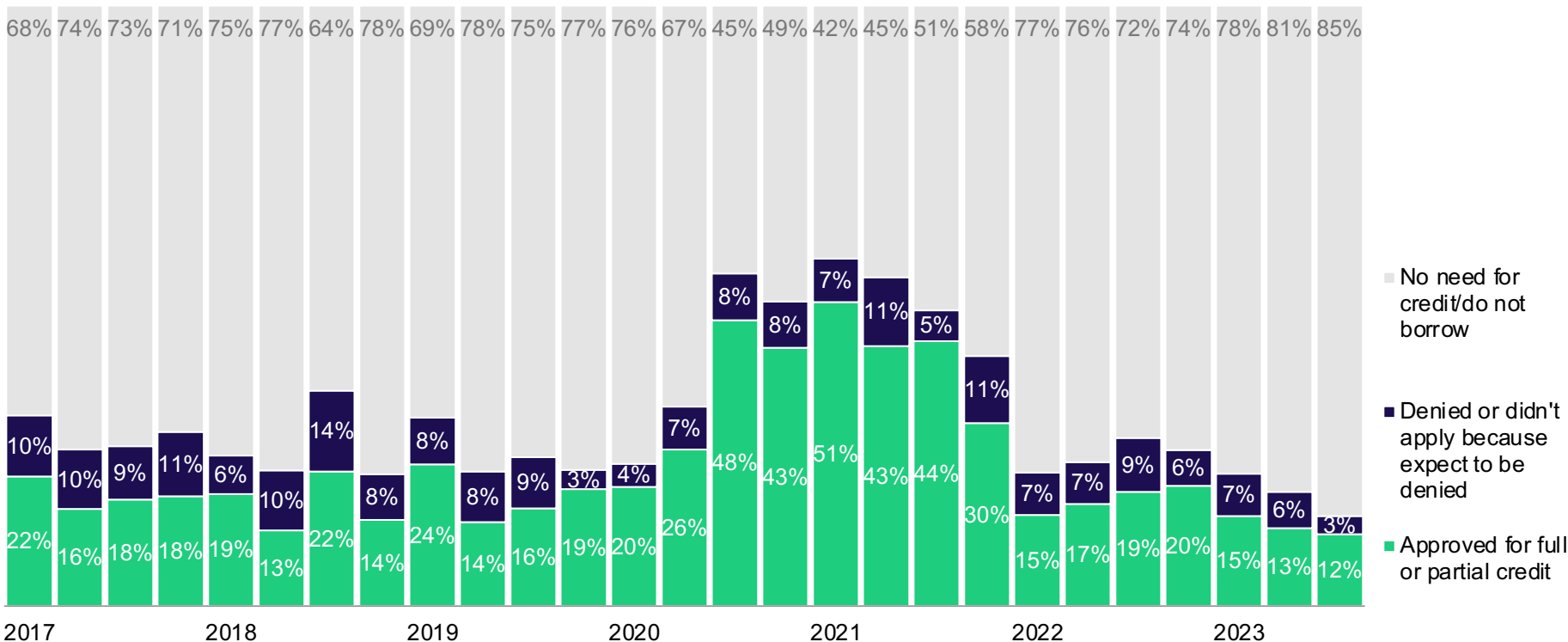
### ADDITIONAL CREDIT APPLICATION TREND Including government relief



**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 3Q2023)

# Eighty-five percent of small businesses have no need for additional credit or do not borrow – the highest percentage in over six years

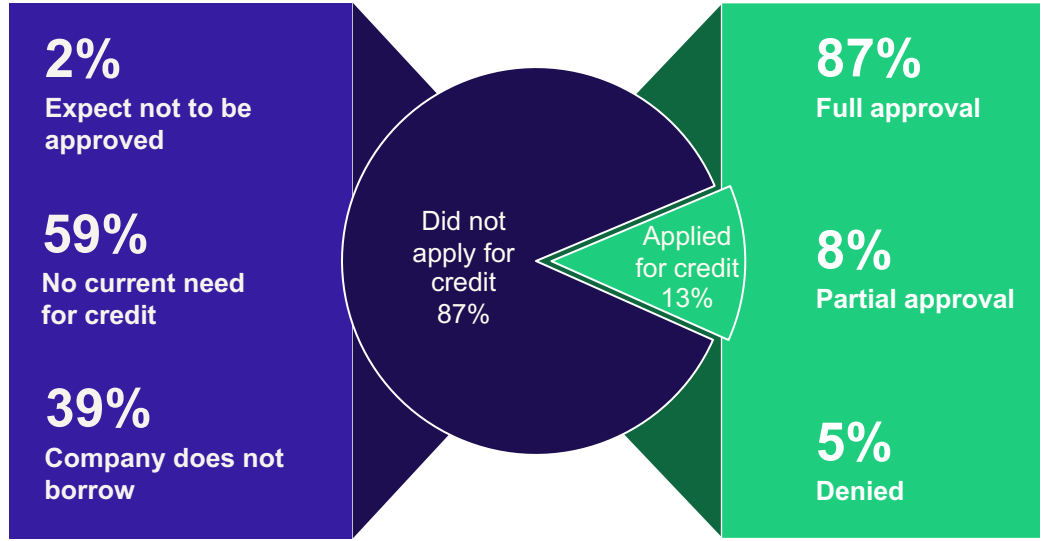
## SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT



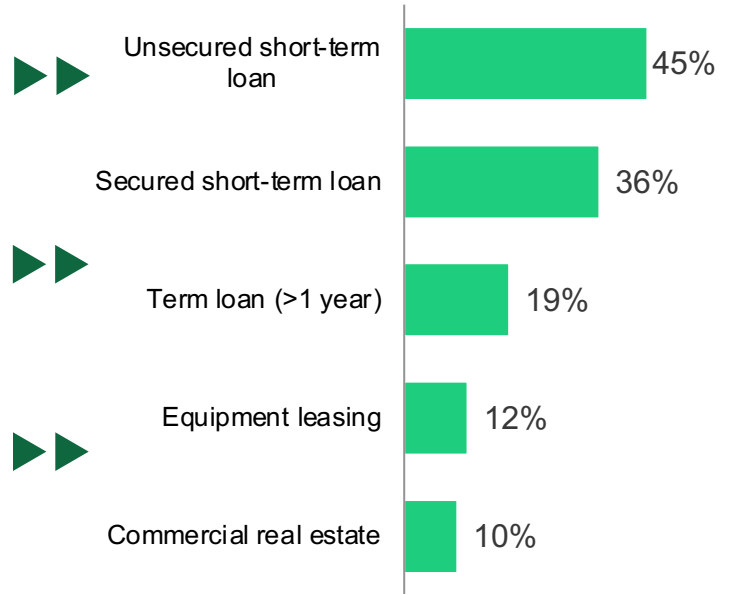
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Few small businesses did not apply for additional credit because they expected not to be approved

## SMALL BUSINESS CREDIT APPLICATION OUTCOME



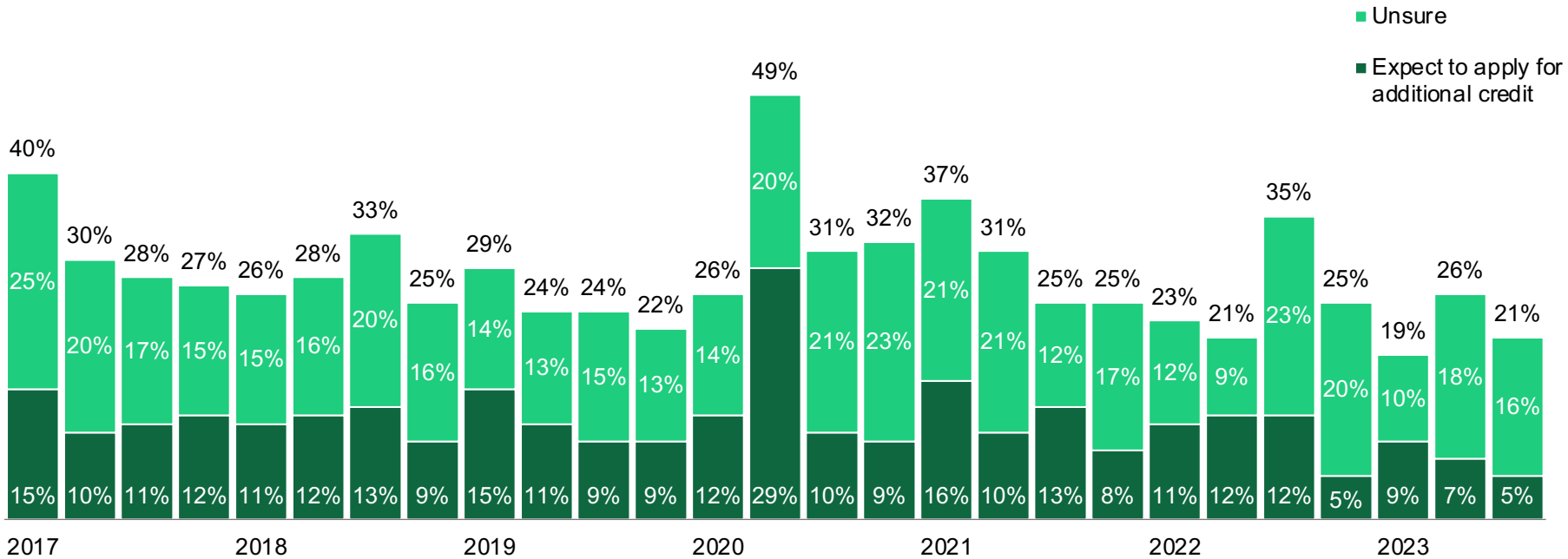
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\$100K-<\$10MM  
 \*Base: those that applied for additional credit  
 BusinessPulse 3Q2023 Data

# The percentage of small businesses that expect to apply for additional credit remains historically low

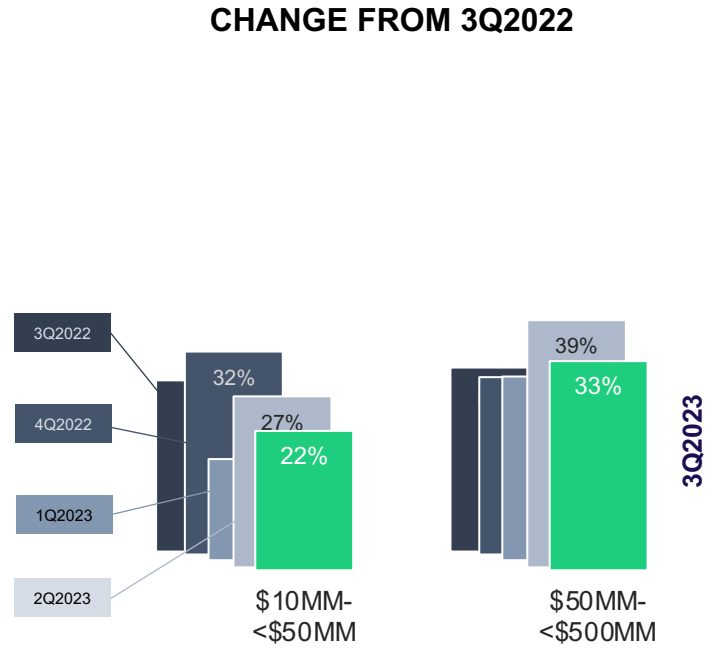
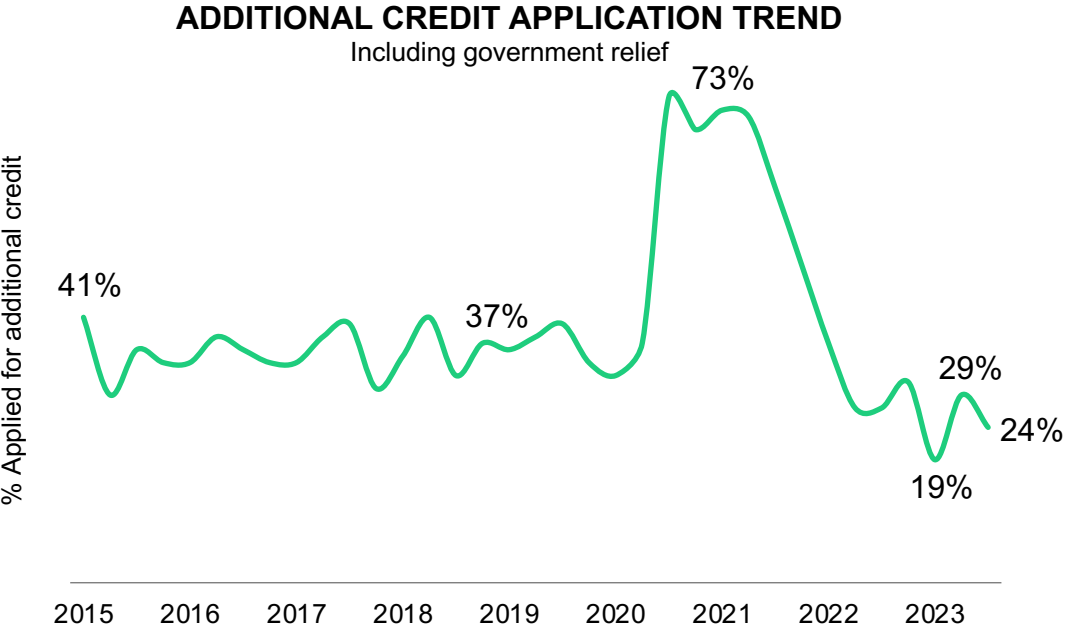
## SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



**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 3Q2023)

# Demand for additional credit in the middle market remains lower than the pre-pandemic average

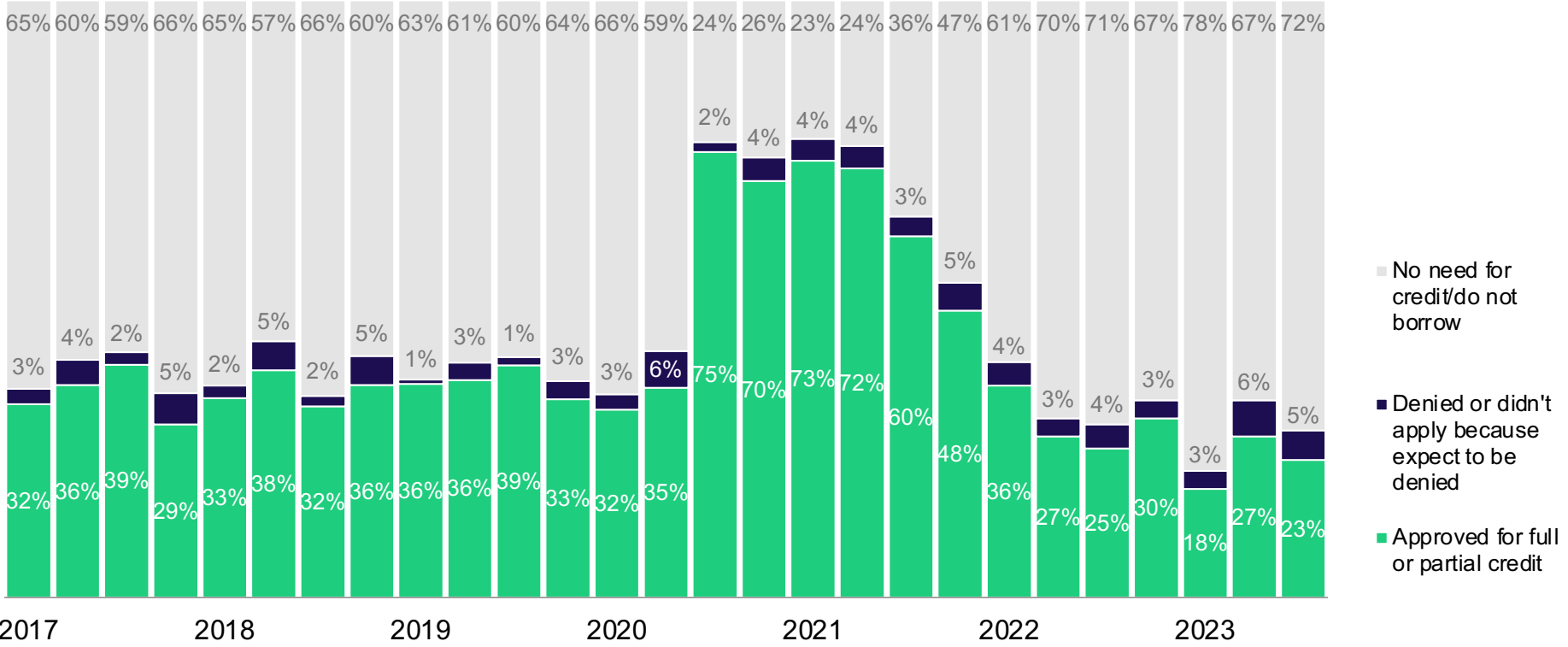
## MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months



**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 3Q2023)

# Most middle market companies do not currently have a need for additional credit or do not borrow

MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT

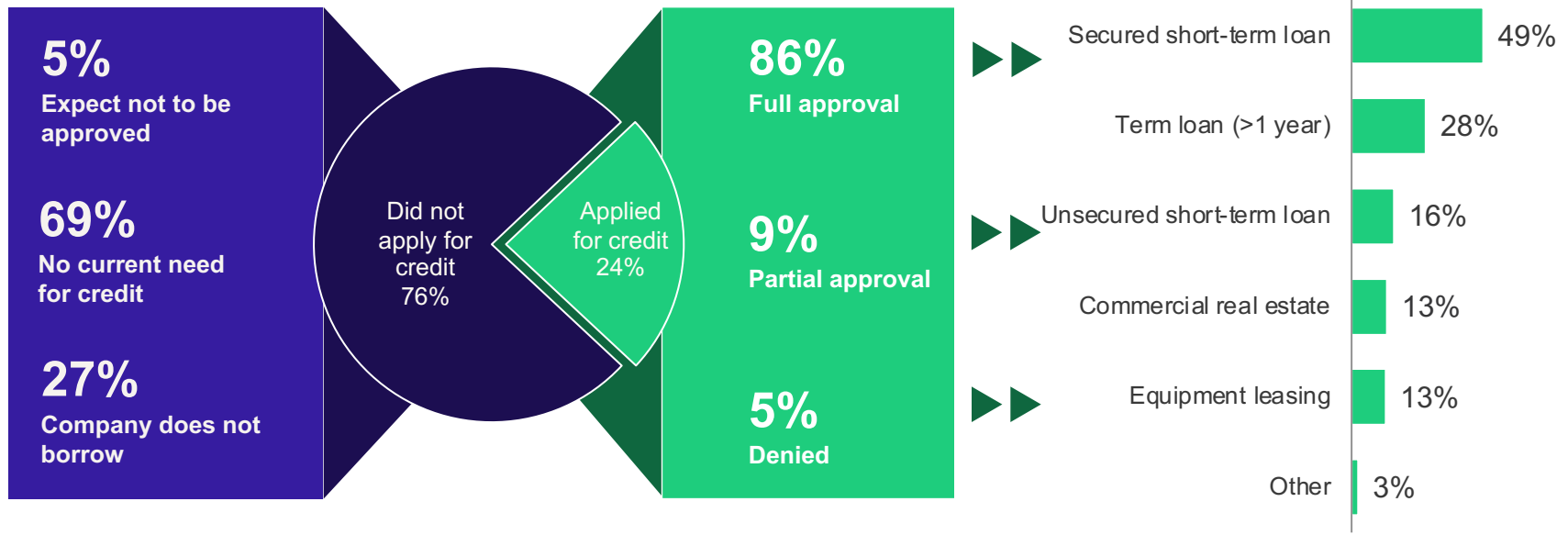


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 3Q2023)

# Secured short-term loans were the most common type of additional credit requested among those that applied

## MIDDLE MARKET CREDIT APPLICATION OUTCOME

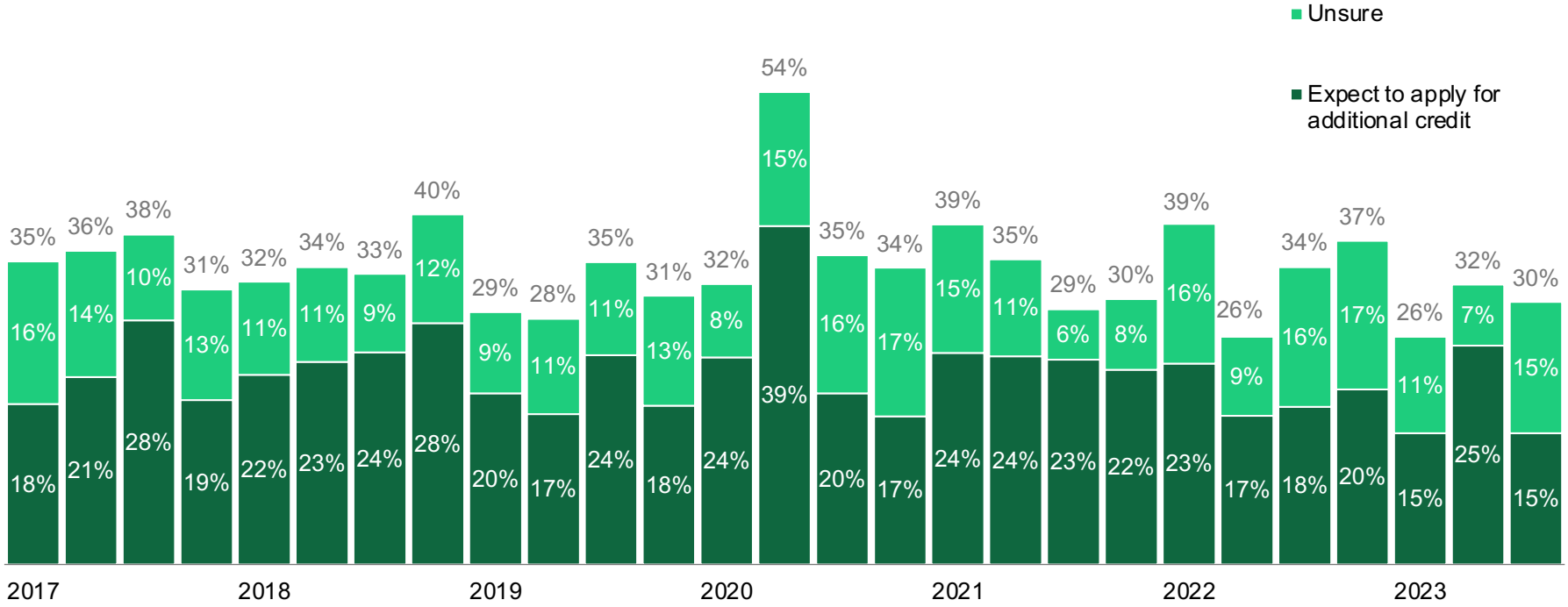
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\$10MM-<\$500MM  
 \*Base: those that applied for additional credit  
 BusinessPulse 3Q2023 Data

# The percentage of middle market companies that anticipate borrowing over the next 12 months decreased from 2Q23

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 3Q2023)





# Methodology

This BusinessPulse report contains data from surveys conducted in the third quarter of 2023 by Barlow Research, involving a sample of 438 small businesses and 366 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)

**438**

Respondents  
by mail or online

**38.4%**

Response rate

**±4.68% at 95%**

Max error factor

## Fielding period

June 28 – July 13, 2023

## Middle Market

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

**366**

Respondents  
by mail or online

**32.1%**

Response rate

**±5.12% at 95%**

Max error factor

## Weighted

By geography and sales volume

33



LiveOakBank.

**BUSINESSPULSE**

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