

BUSINESSPULSE

Fourth 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

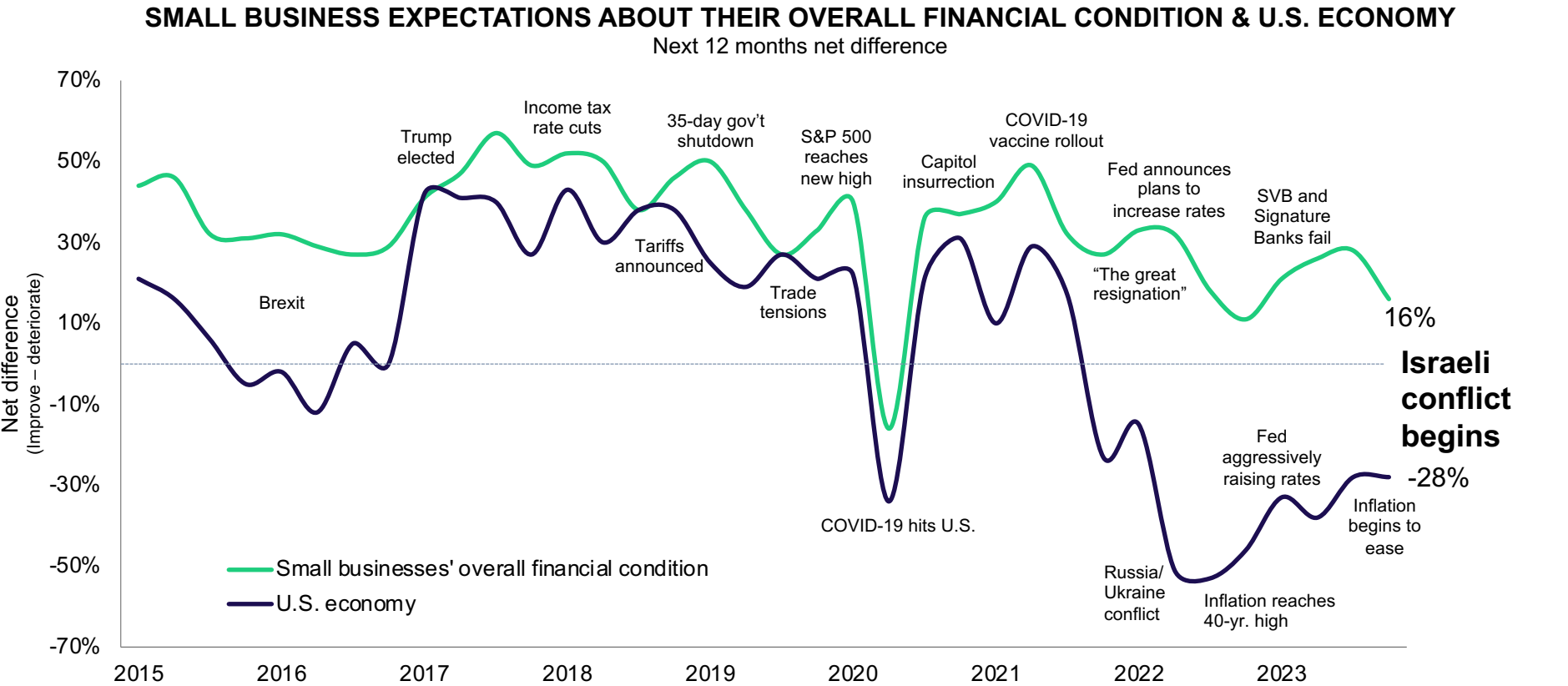
1. Small business expectations about the financial condition of their companies weakened as sales and profits deteriorated in the fourth quarter.
2. Cash reserves continue to be deflated and prices elevated. Most small businesses anticipate holding onto what cash they have.
3. Demand for additional credit increased from a low point in the second and third quarters. Small businesses are more likely to expect to apply for additional credit to support growth.

MIDDLE MARKET

1. Given that sales and profits decreased, middle market confidence in their own financial condition declined.
2. Middle market companies were able hire in the fourth quarter, with many also expecting to continue to hire over the next 12 months.
3. Demand for additional credit in the middle market has increased. Most were more likely to expect to borrow to support growth and less likely to borrow to purchase inventory.



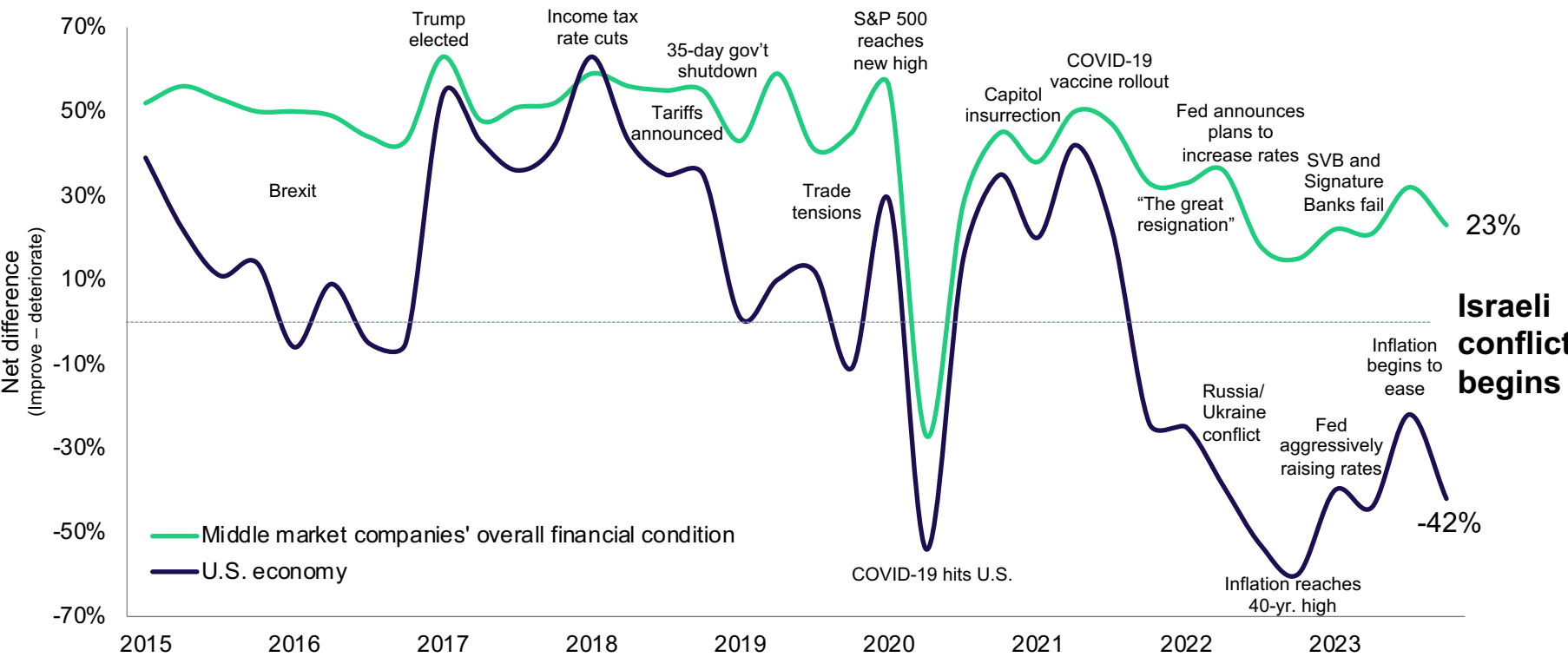
Small business expectations about their own financial condition have declined for the first time in 2023



Q: During the next 12 months, do you expect...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market expectations about the U.S. economy deteriorated in the fourth quarter

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



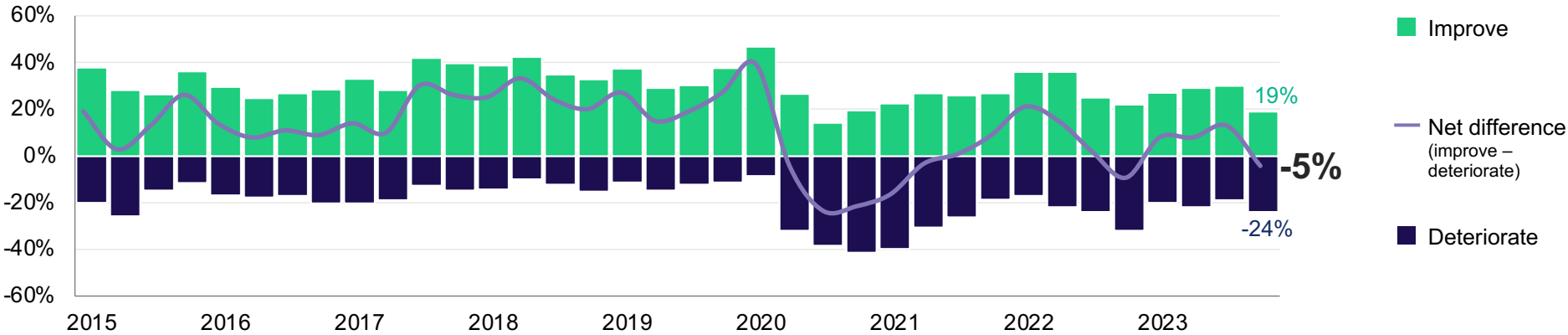
Q: During the next 12 months, do you expect...
\$10MM-~500MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

01

Retrospective economic position

Small business financial condition net difference turned negative for the first time in a year

SMALL BUSINESS FINANCIAL CONDITION
Past 12 months



Net difference

-5%

▼ **-17 pts.** from last quarter

▲ **+5 pts.** from one year ago

\$100K-<\$500K

24% Improve, 18% Deteriorate

Net difference: **-6%**

\$500K-<\$2.5MM

24% Improve, 22% Deteriorate

Net difference: **-2%**

\$2.5MM-<\$10MM

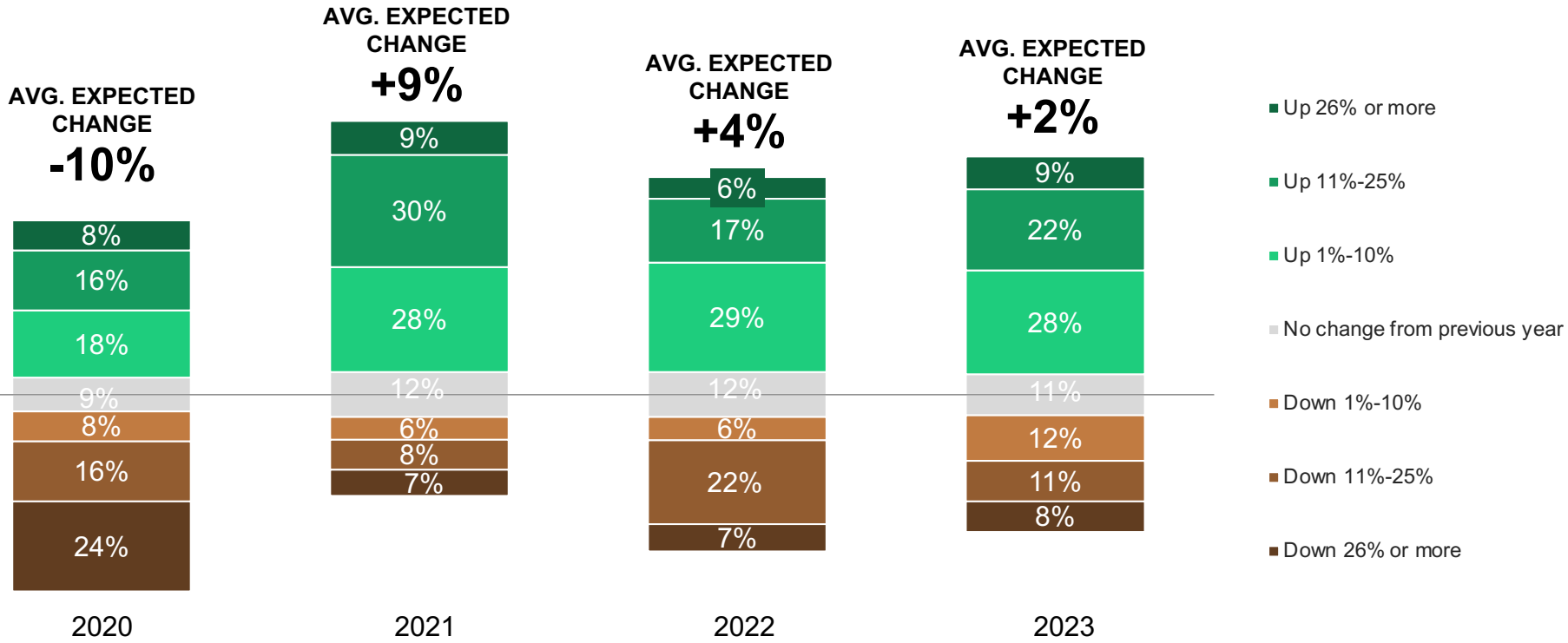
24% Improve, 28% Deteriorate

Net difference: **+4%**

Q: During the last 12 months, did your company's overall financial condition...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

The average small business grew its sales volume by 2% in 2023



















CHANGES IN SMALL BUSINESS SALES VOLUME



Q: By the end of 2023, how much higher or lower do you expect your annual sales or revenue to be compared to the end of 2022?
 \$100K-<10MM
 BusinessPulse 4Q2023 Data

Although capital expenditures ticked up, small businesses experienced decreases in sales and profits from the third quarter

SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months

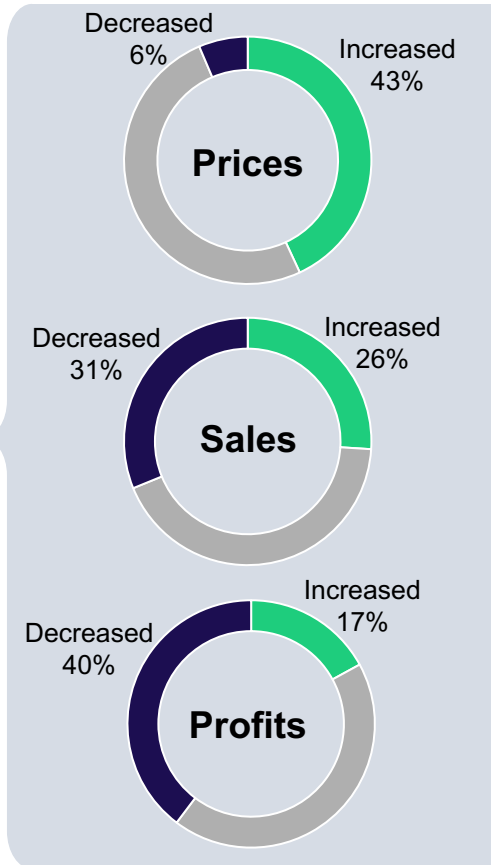
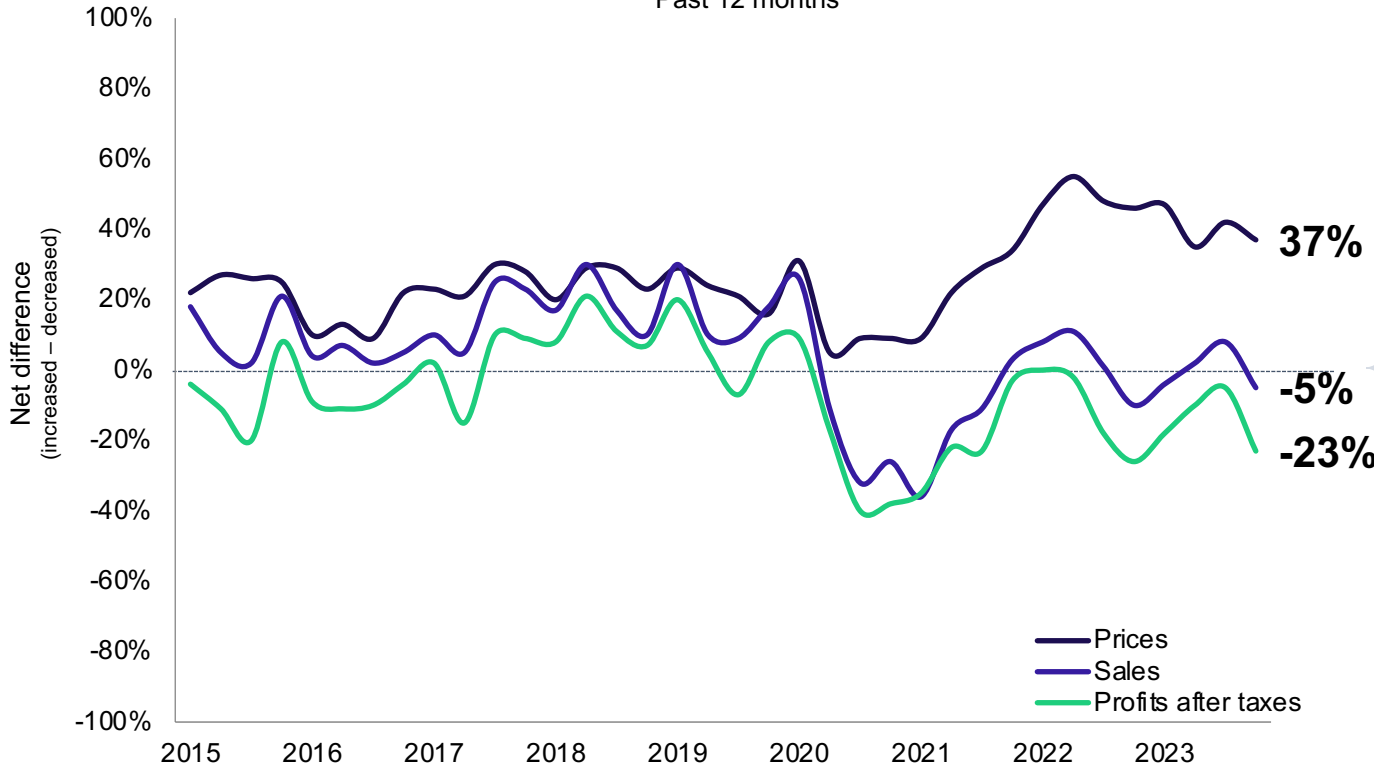
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 -5 pts.	 -13 pts.	 -18 pts.	 -4 pts.	 +3 pts.	 -5 pts.
Change from previous year	 -9 pts.	 +5 pts.	 +3 pts.	 -3 pts.	 +3 pts.	 -5 pts.

Net difference: increased – decreased

Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

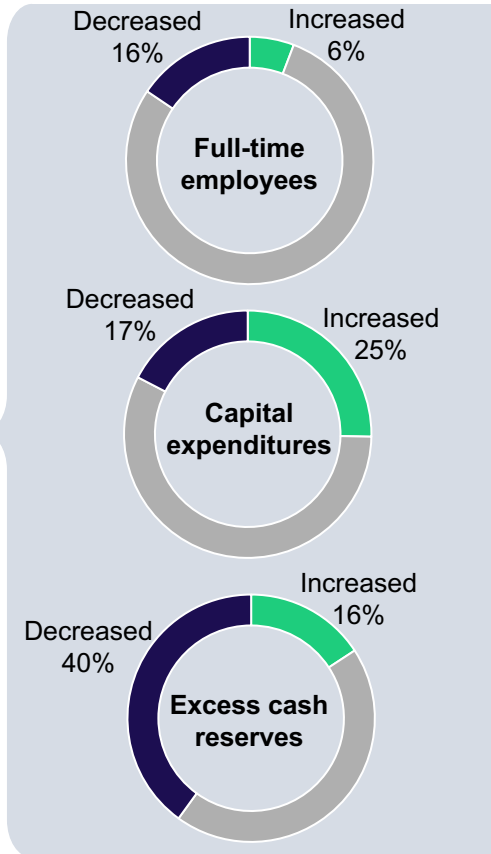
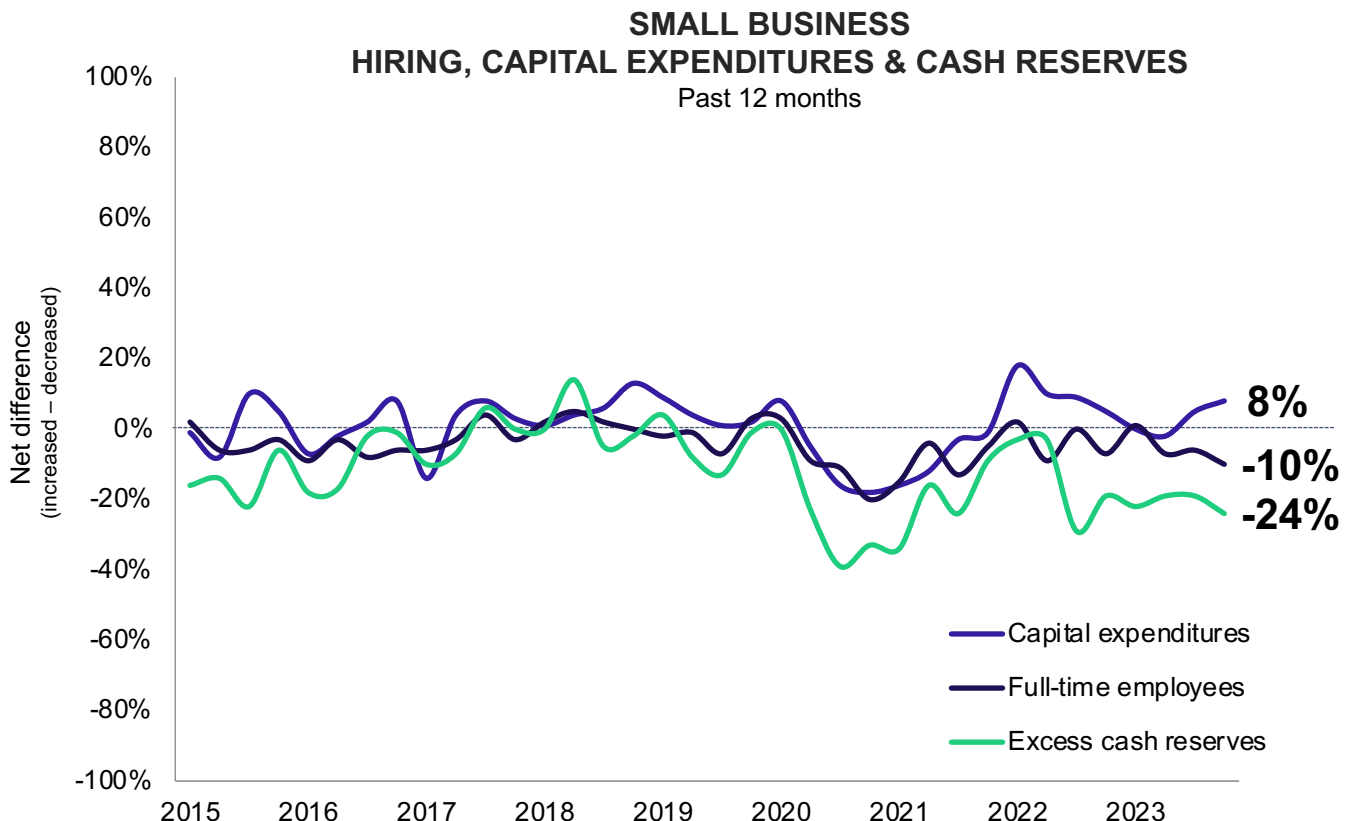
Small business sales and profit net differences were negative in the fourth quarter

SMALL BUSINESS PRICES, SALES & PROFITS
Past 12 months



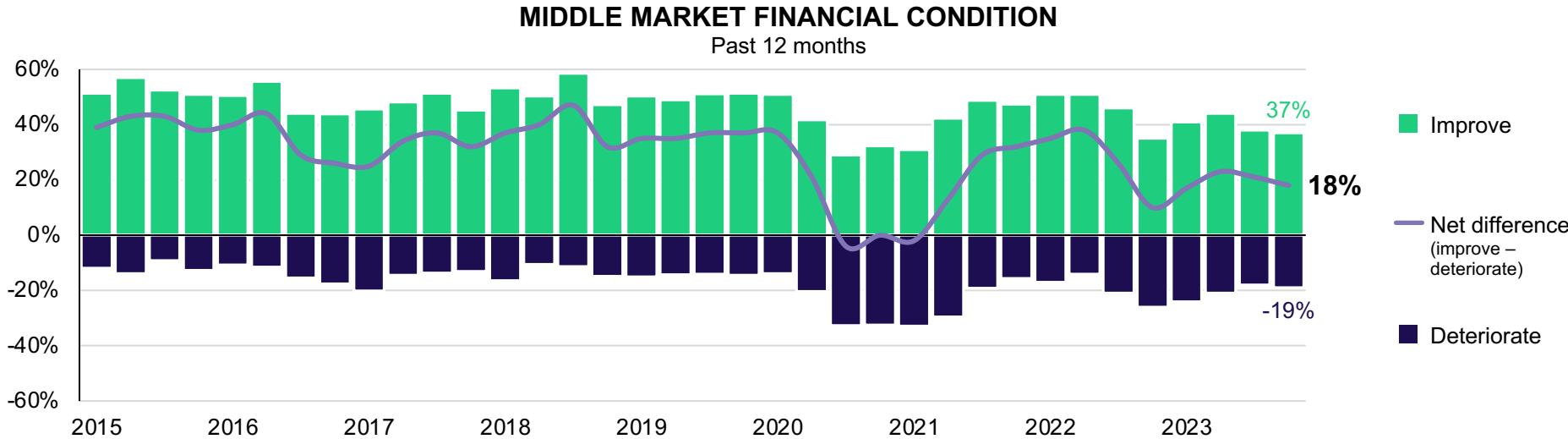
Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Capital expenditures ticked up, while net difference hiring and excess cash reserves continued to trend down



Q: During the last 12 months, did your company's...
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market financial conditions fell slightly since last quarter



Net difference

+18%

▼ -3 pts. from last quarter

▲ +8 pts. from one year ago

\$10MM-<\$50MM

37%
Net difference
+18%

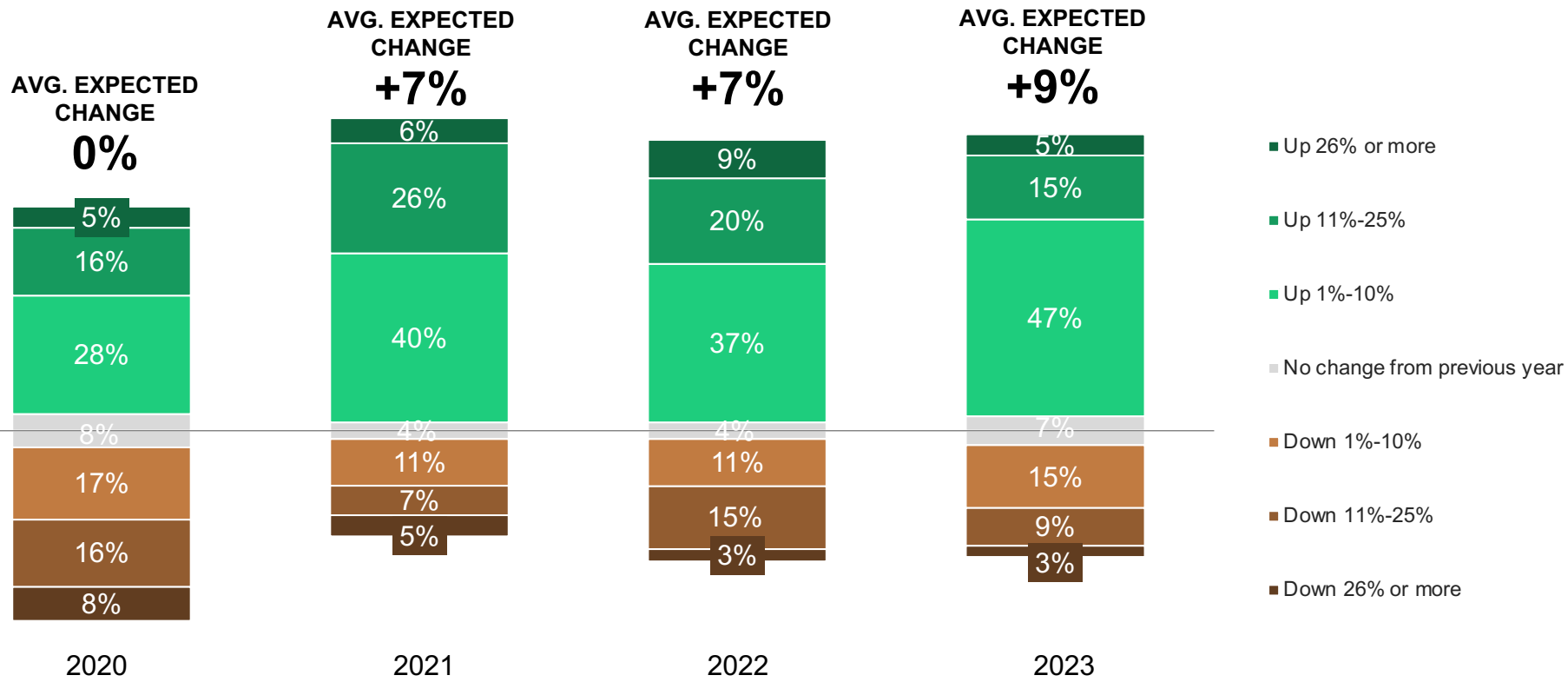
\$50MM-<\$500MM

39%
Net difference
+19%

Q: During the last 12 months, did your company's overall financial condition...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market sales volumes are expected to be 9% higher than they were at the end of 2022



















CHANGES IN MIDDLE MARKET SALES VOLUME



Q: By the end of 2023, how much higher or lower do you expect your annual sales or revenue to be compared to the end of 2022?
 \$100K-<10MM
 BusinessPulse 4Q2023 Data

Middle market companies grew their workforces despite decreased sales

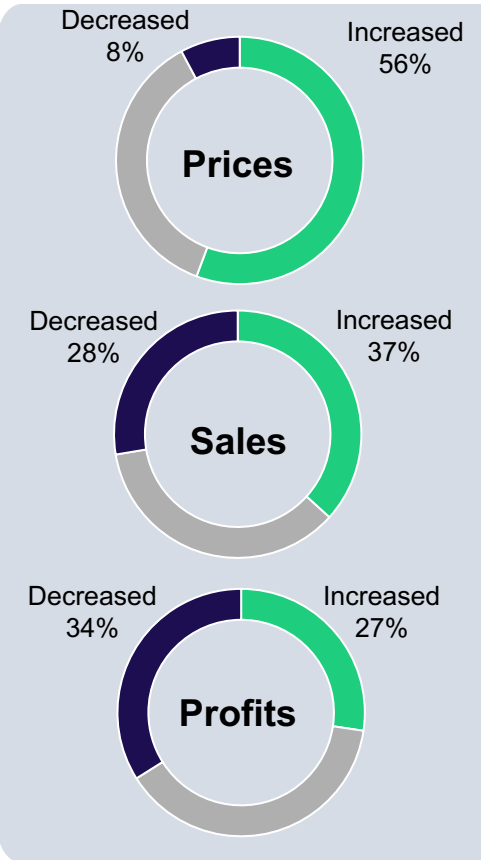
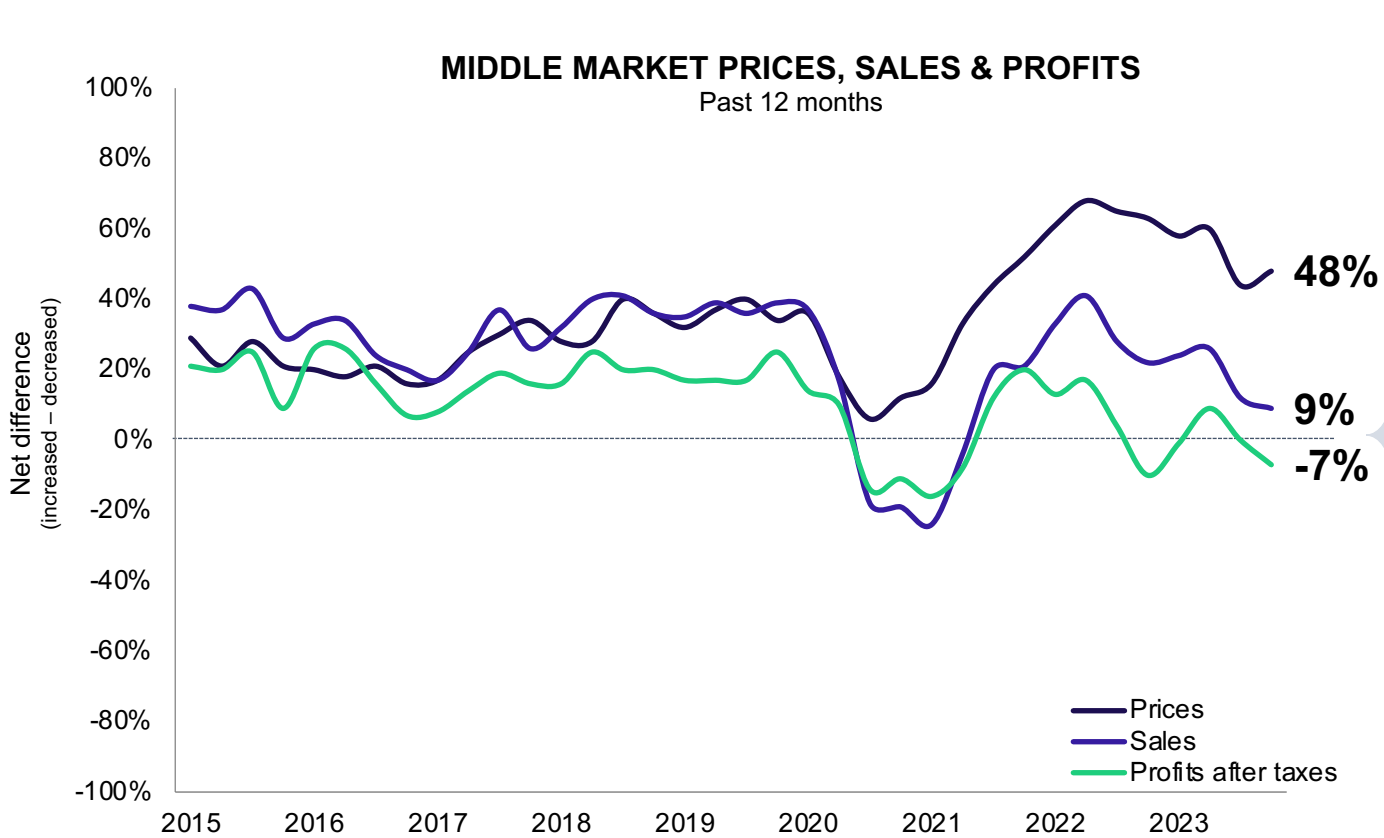
MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	  +4 pts.	  -3 pts.	  -7 pts.	  +9 pts.	  -10 pts.	  -8 pts.
Change from previous year	 -15 pts.	 -13 pts.	 +3 pts.	 +12 pts.	 -8 pts.	 +5 pts.

Net difference: increased – decreased

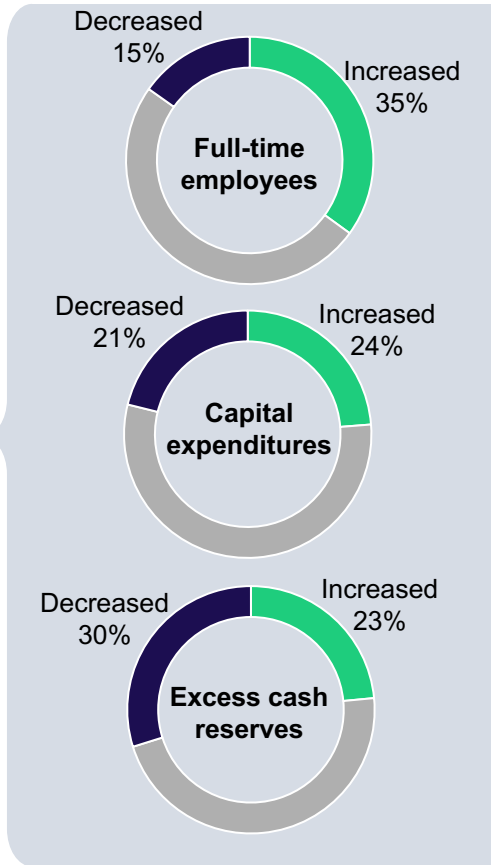
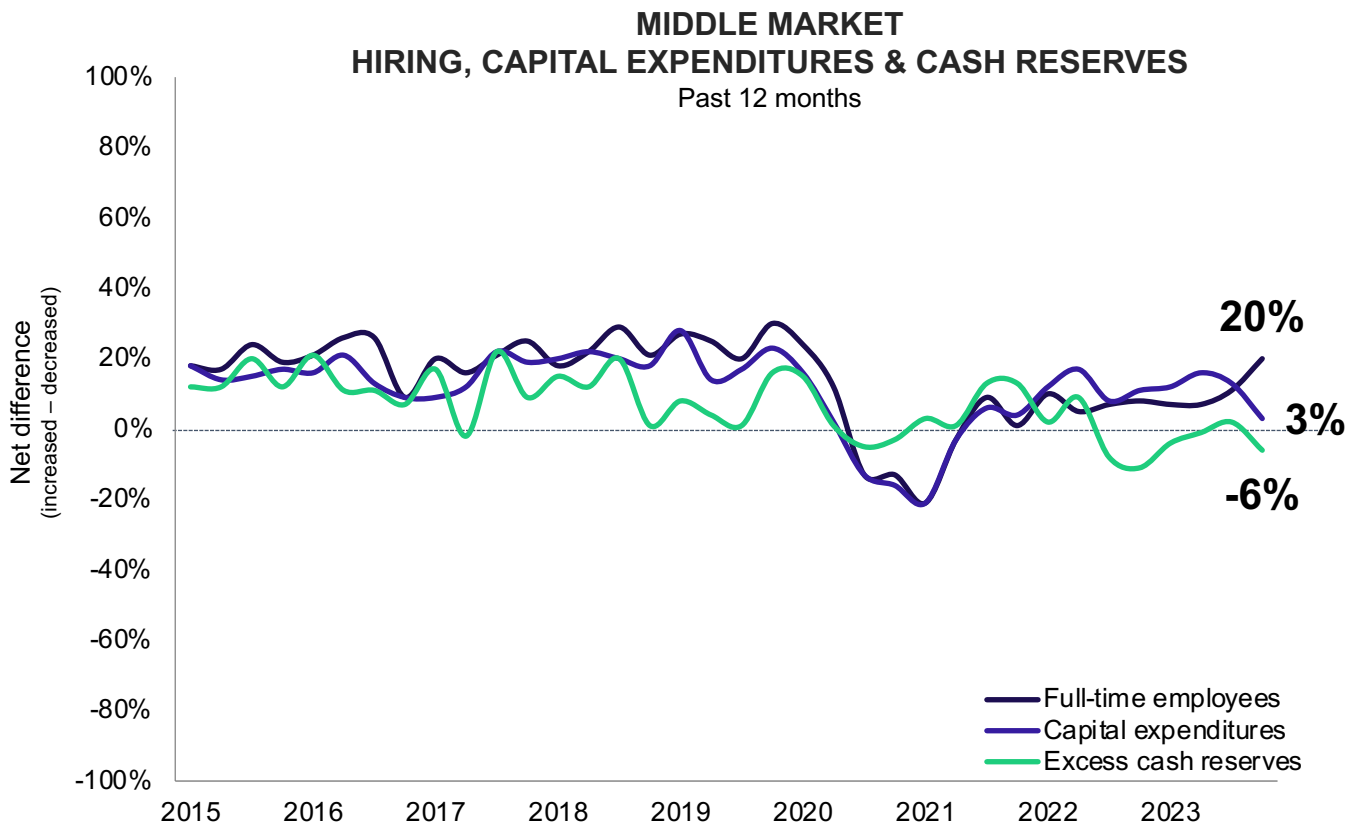
Q: During the last 12 months, did your company's...
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market sales decreased to their lowest level in over two years



Q: During the last 12 months, did your company's...
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market hiring returned to near pre-pandemic levels



Q: During the last 12 months, did your company's...
\$10MM-<500MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

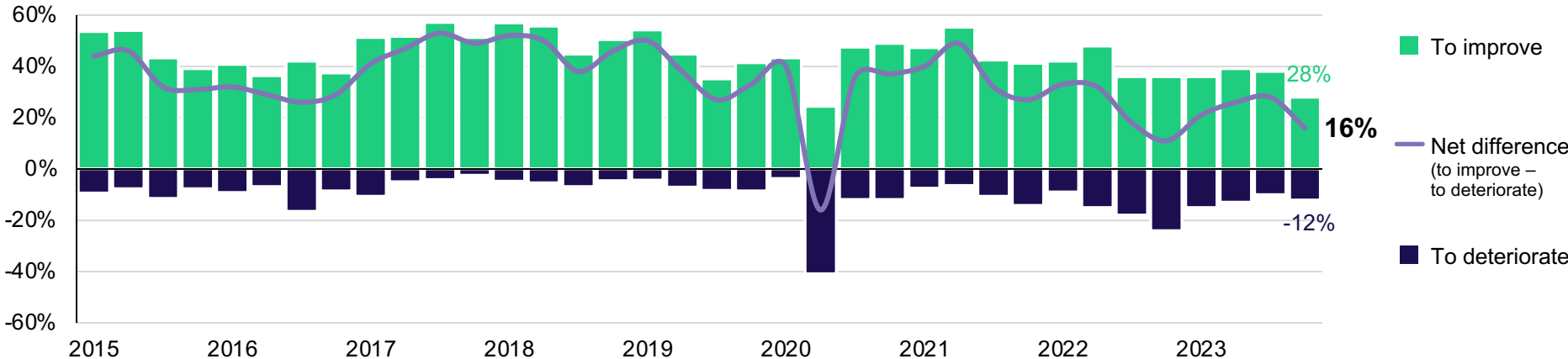
02

Expected economic position

Small businesses became less optimistic about their financial condition

SMALL BUSINESS EXPECTED FINANCIAL CONDITION

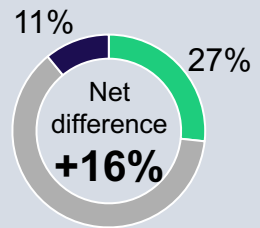
Next 12 months



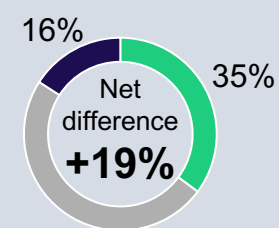
Net difference
+16%

↘ -12 pts. from last quarter
↗ +5 pts. from one year ago

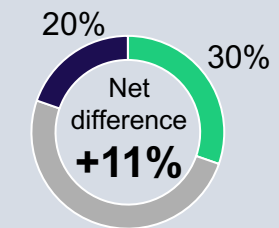
\$100K-<\$500K



\$500K-<\$2.5MM



\$2.5MM-<\$10MM









Q: During the next 12 months, do you expect your company's overall financial condition to...

\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Little change in prices is expected over the next 12 months, and capital spending is expected to slow

SMALL BUSINESS NET DIFFERENCE CHANGES Next 12 months

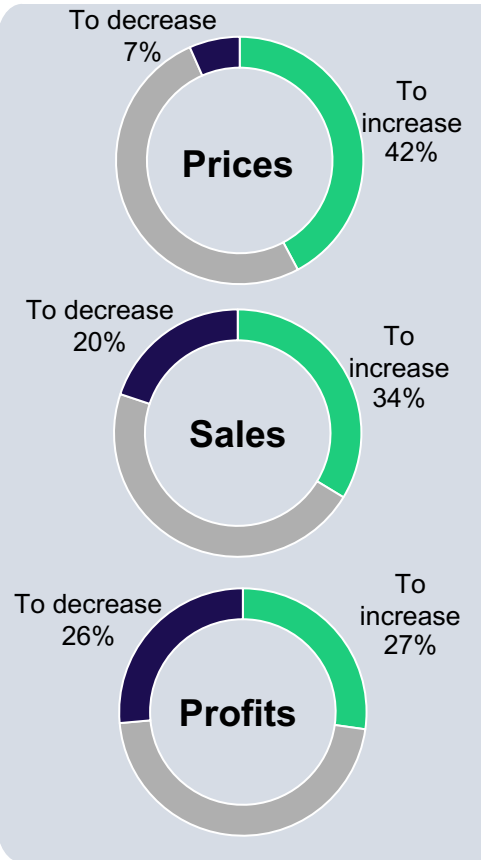
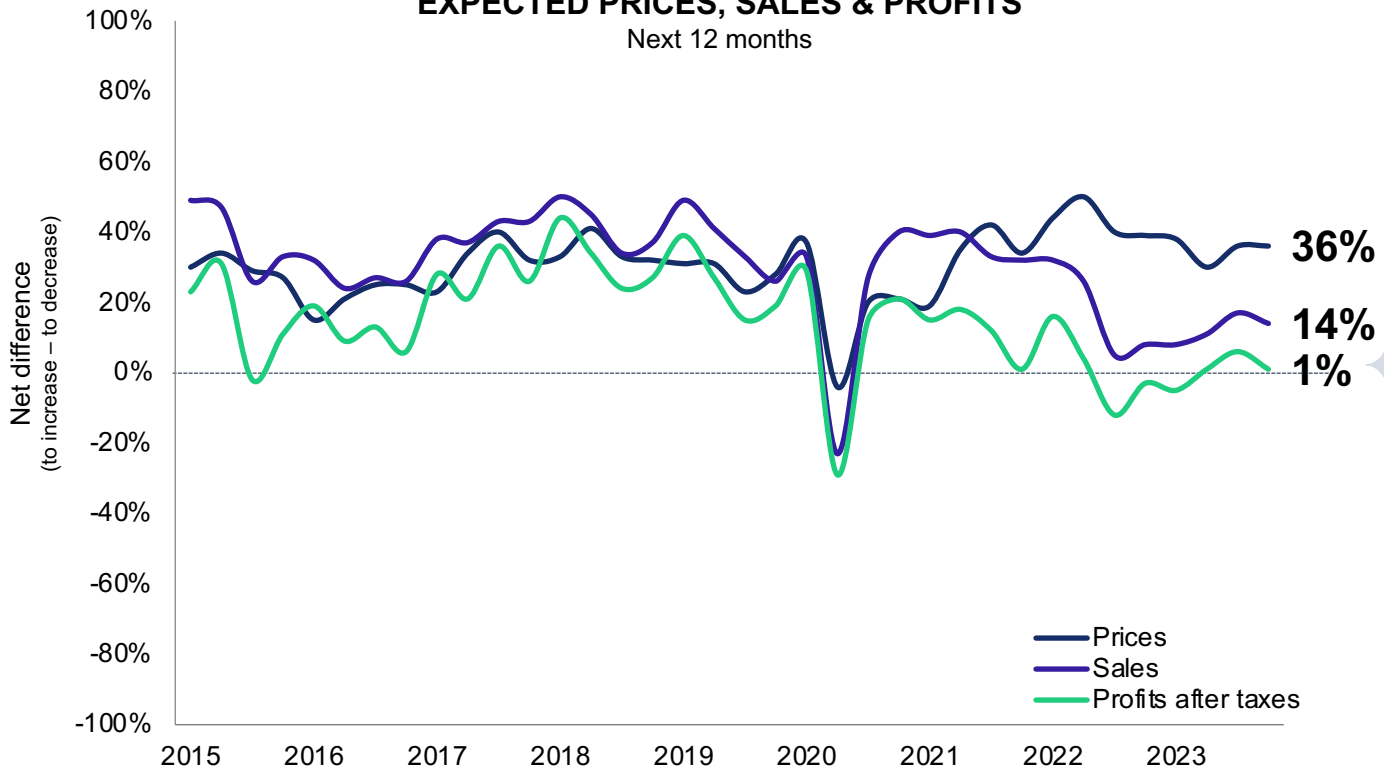
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	0 pts.	-3 pts.	-5 pts.	+1 pts.	-7 pts.	+3 pts.
Change from previous year	-3 pts.	+6 pts.	+4 pts.	-3 pts.	-6 pts.	+1 pts.

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 4Q2023)

Price and sales expectations remained flat from 3Q23

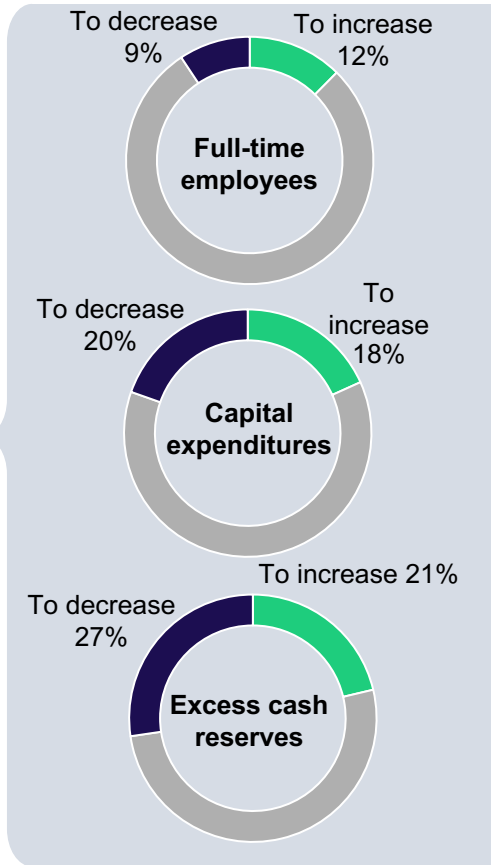
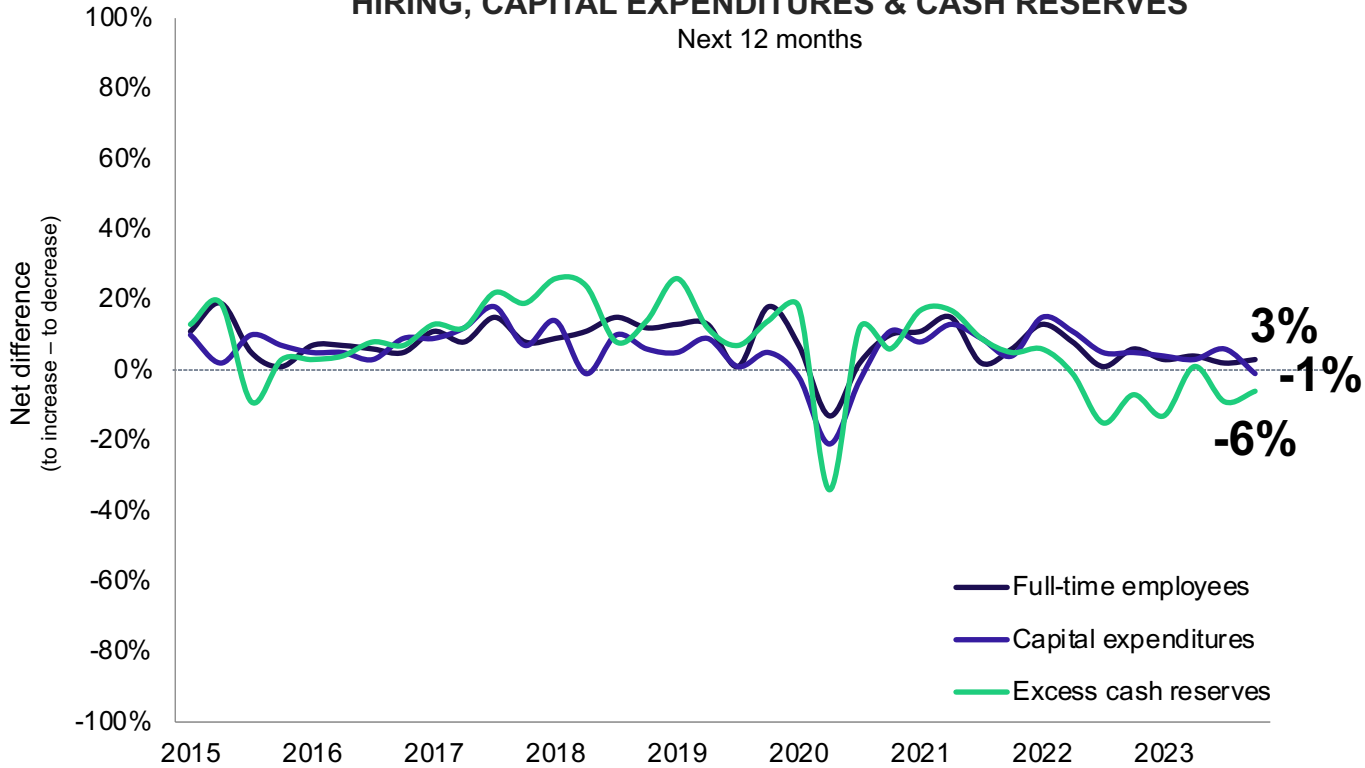
**SMALL BUSINESS
EXPECTED PRICES, SALES & PROFITS**
Next 12 months



Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Capital expenditure expectations turned negative for the first time since the pandemic

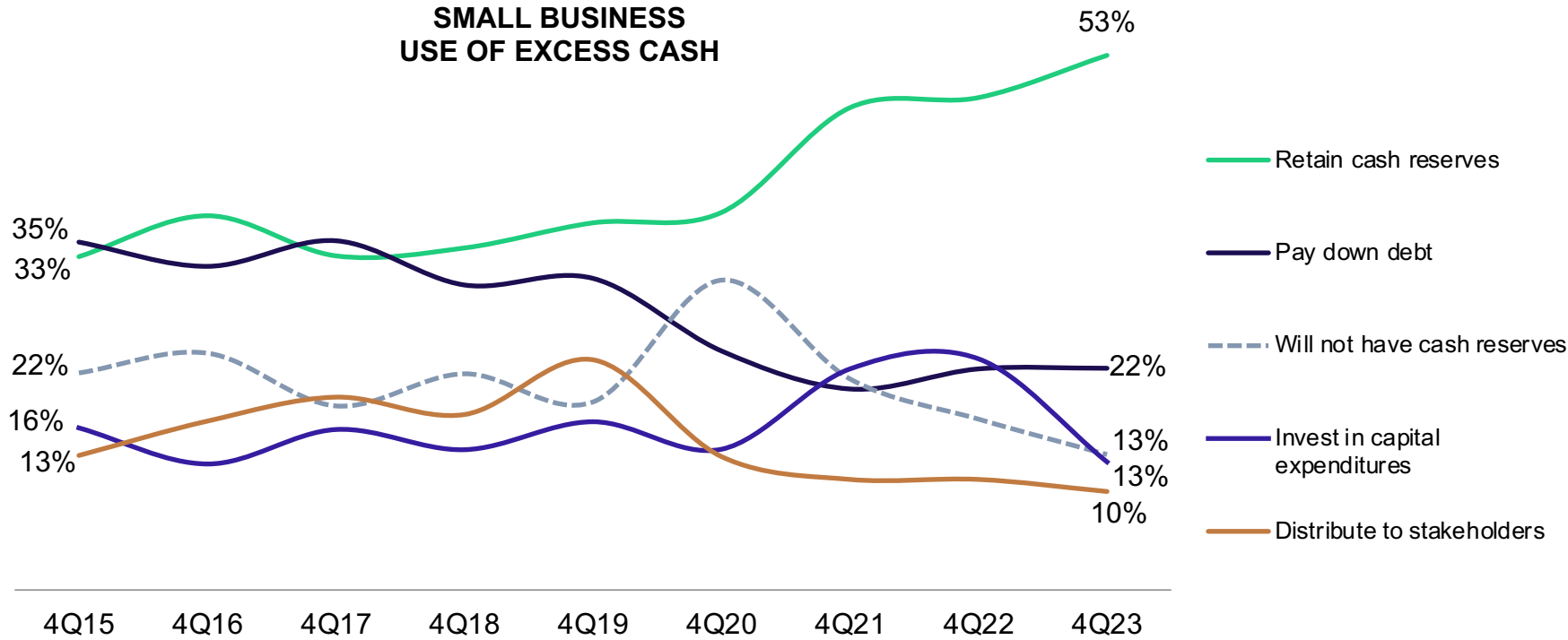
**SMALL BUSINESS EXPECTED
HIRING, CAPITAL EXPENDITURES & CASH RESERVES**
Next 12 months



Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Small businesses are increasingly likely to plan to retain cash reserves over the next 12 months

**SMALL BUSINESS
USE OF EXCESS CASH**

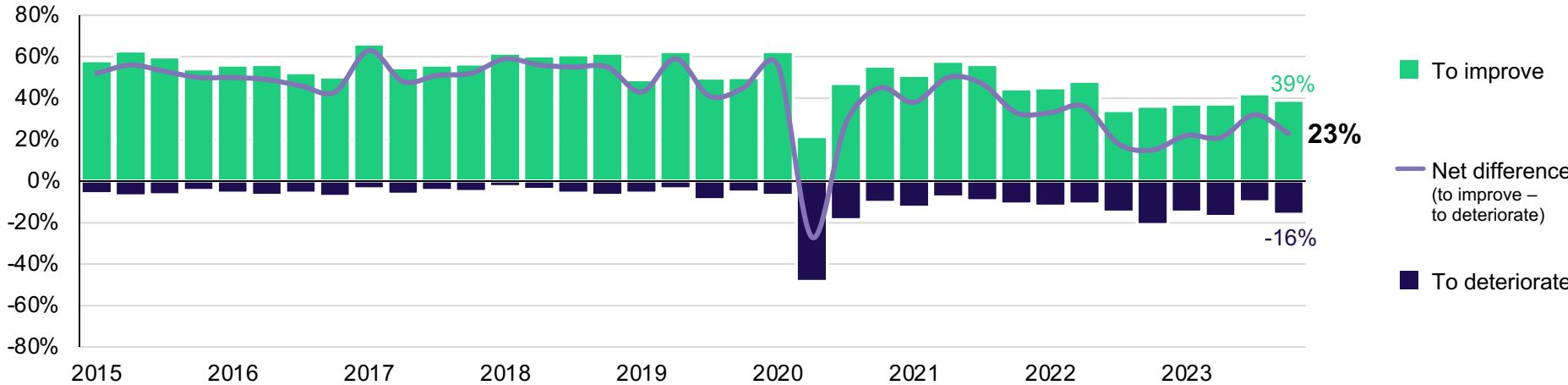


Q: During the next 12 months, how does your company intend to use its excess cash reserves?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market financial conditions ticked down, but remain higher than this time last year

MIDDLE MARKET EXPECTED FINANCIAL CONDITION

Next 12 months



Net difference

+23%

-9 pts. from last quarter

+8 pts. from one year ago

\$10MM-<\$50MM

17%

Net difference **+22%**

39%

\$50MM-<\$500MM

15%

Net difference **+26%**


















41%

Q: During the next 12 months, do you expect your company's overall financial condition to...
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Sales, profits and excess cash reserve expectations decreased from last quarter

MIDDLE MARKET NET DIFFERENCE CHANGES

Next 12 months

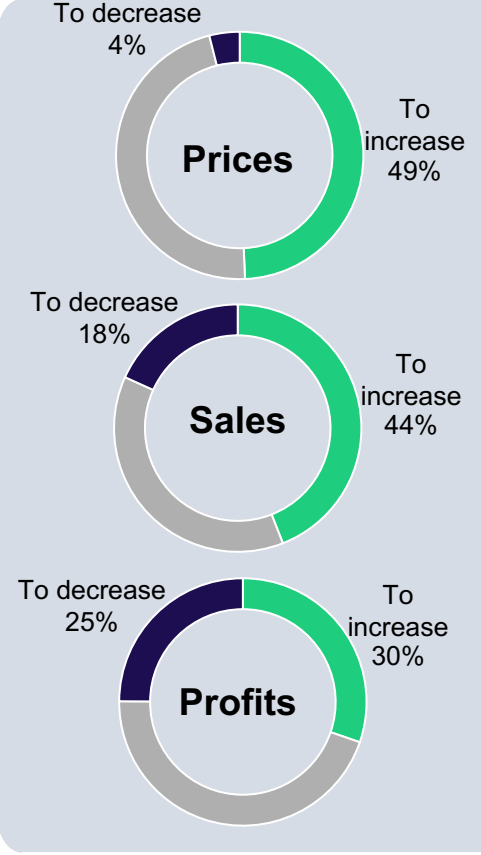
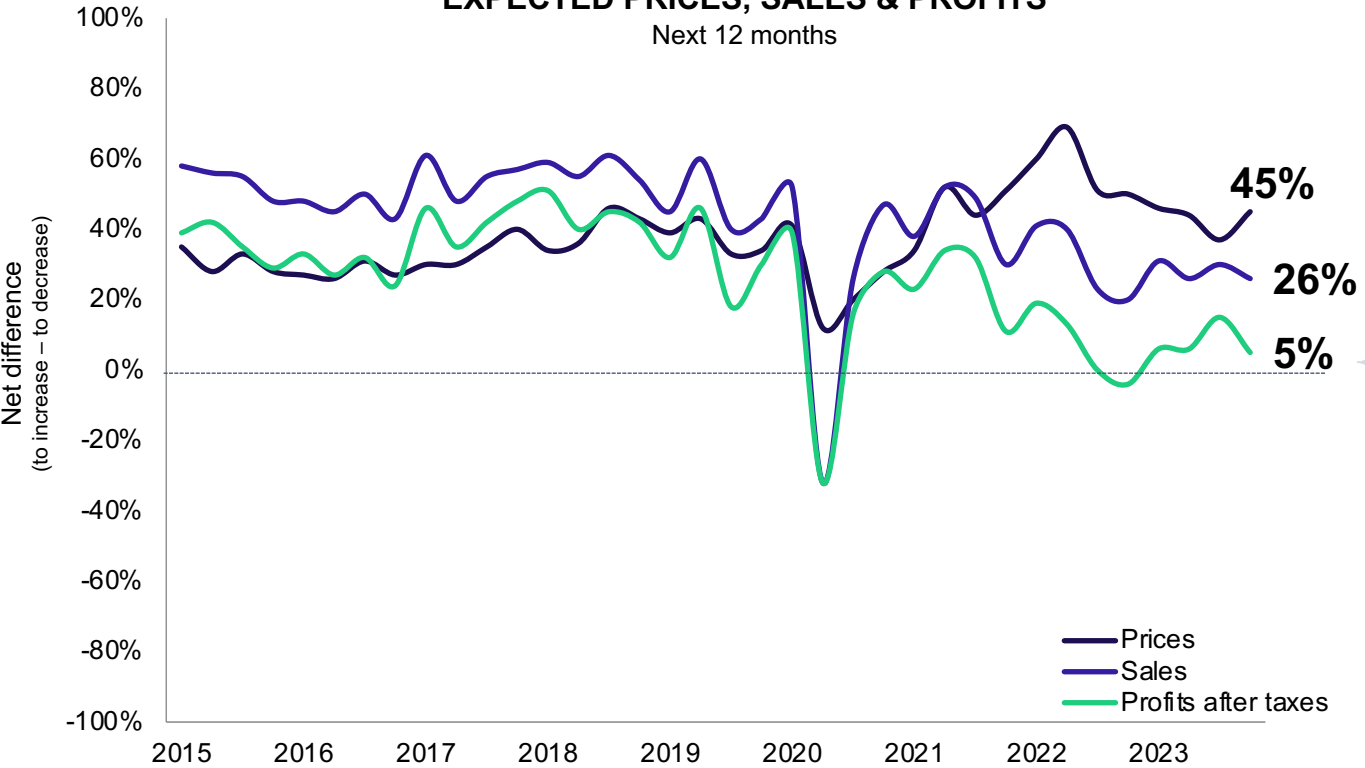
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 +8 pts.	 -4 pts.	 -10 pts.	 +6 pts.	0 pts.	 -14 pts.
Change from previous year	 -5 pts.	 +6 pts.	 +9 pts.	 +9 pts.	 +6 pts.	 +4 pts.

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 4Q2023)

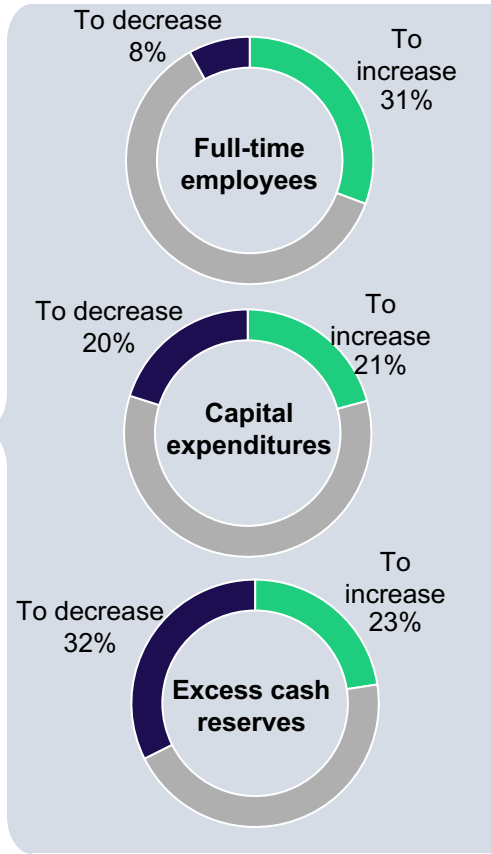
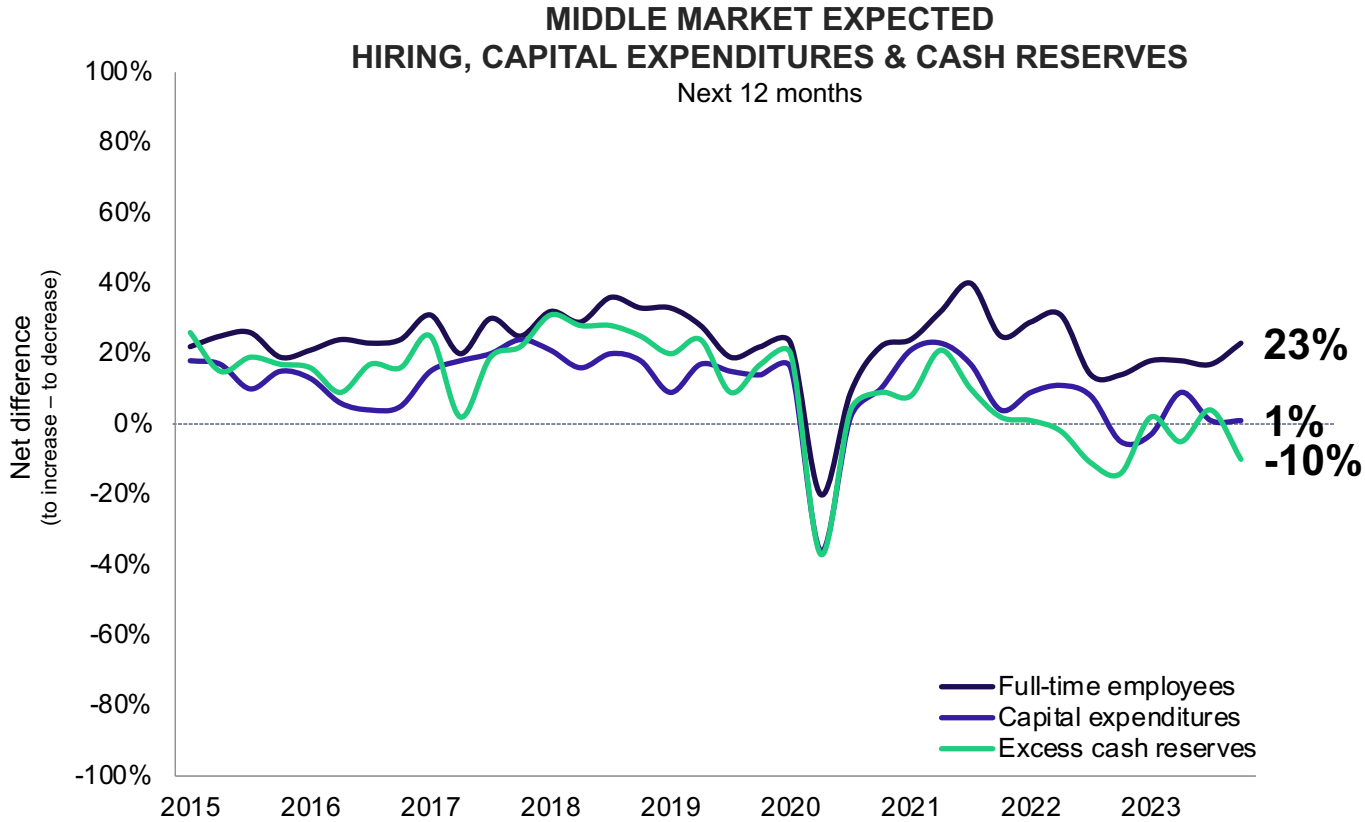
Profit expectations waned as middle market companies became more likely to expect price increases

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 4Q2023)

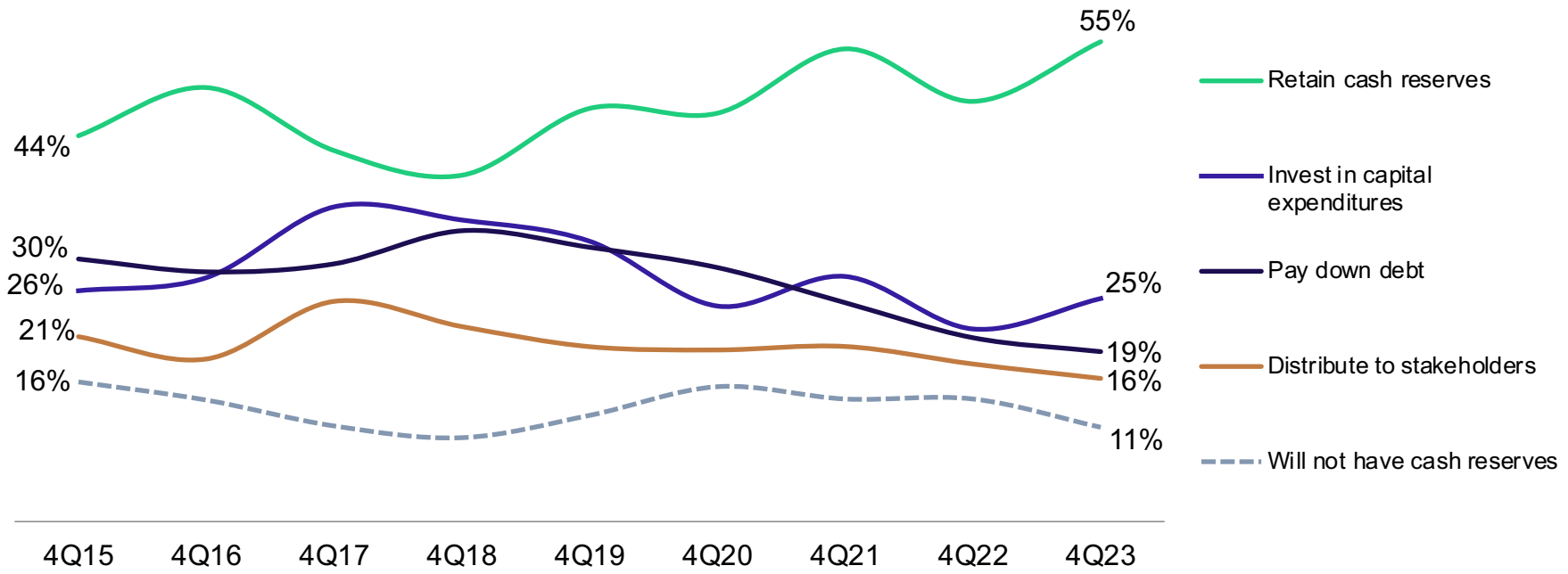
Net difference excess cash reserve expectations turned negative, and capital expenditure expectations remained flat



Q: During the next 12 months, do you expect your company's...
\$10MM-<500MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Like small businesses, middle market companies anticipate retaining excess cash reserves

**MIDDLE MARKET
USE OF EXCESS CASH**



Q: During the next 12 months, how does your company intend to use its excess cash reserves?
 \$10MM-~500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

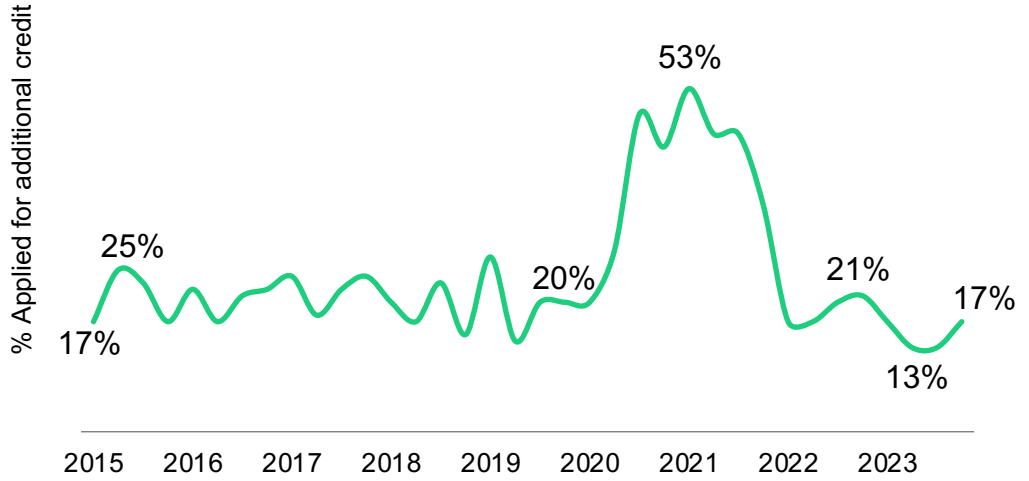
03

Credit outlook

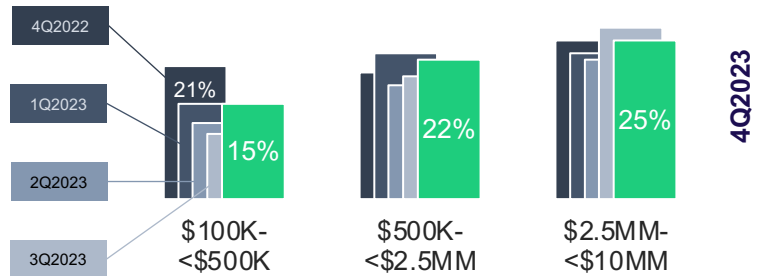
Small business demand for additional credit has increased from a low point in the second and third quarters of 2023

SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

ADDITIONAL CREDIT APPLICATION TREND Including government relief



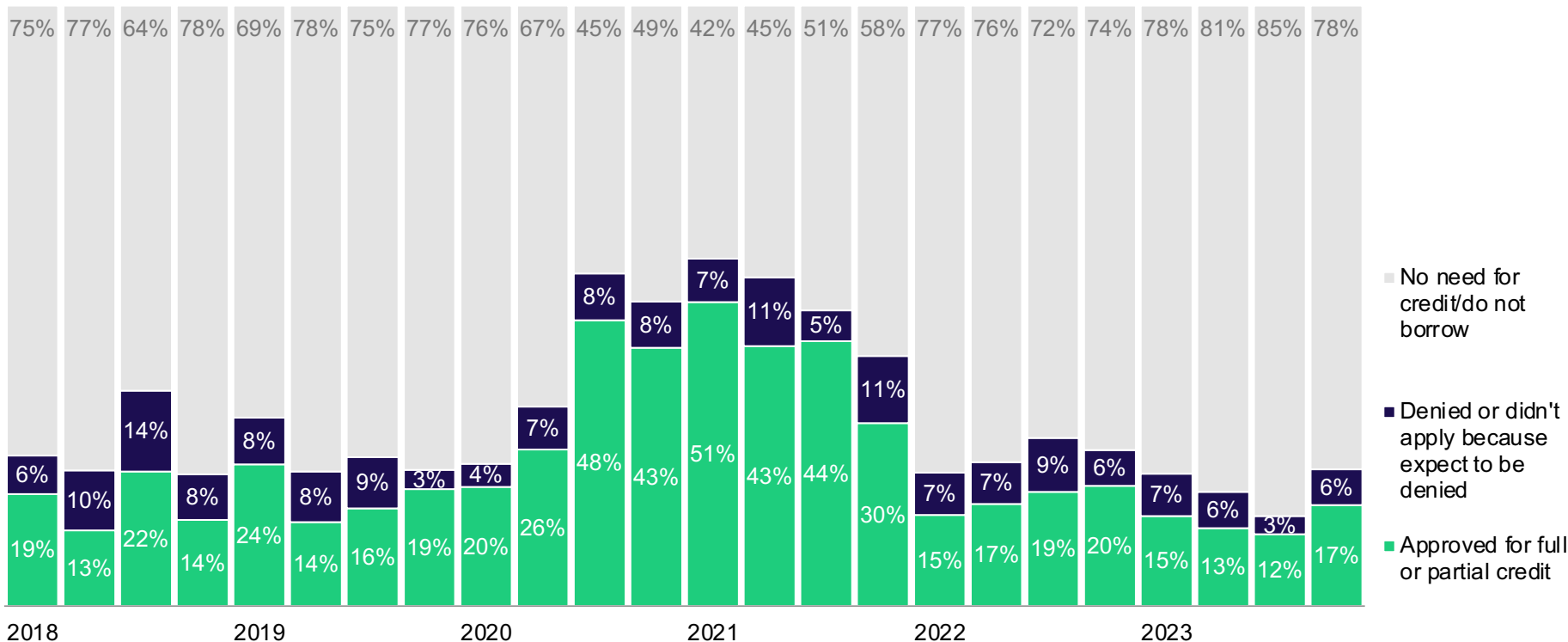
CHANGE FROM 4Q2022



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 4Q2023)

A smaller portion of small businesses have no need for additional credit or do not borrow

SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT

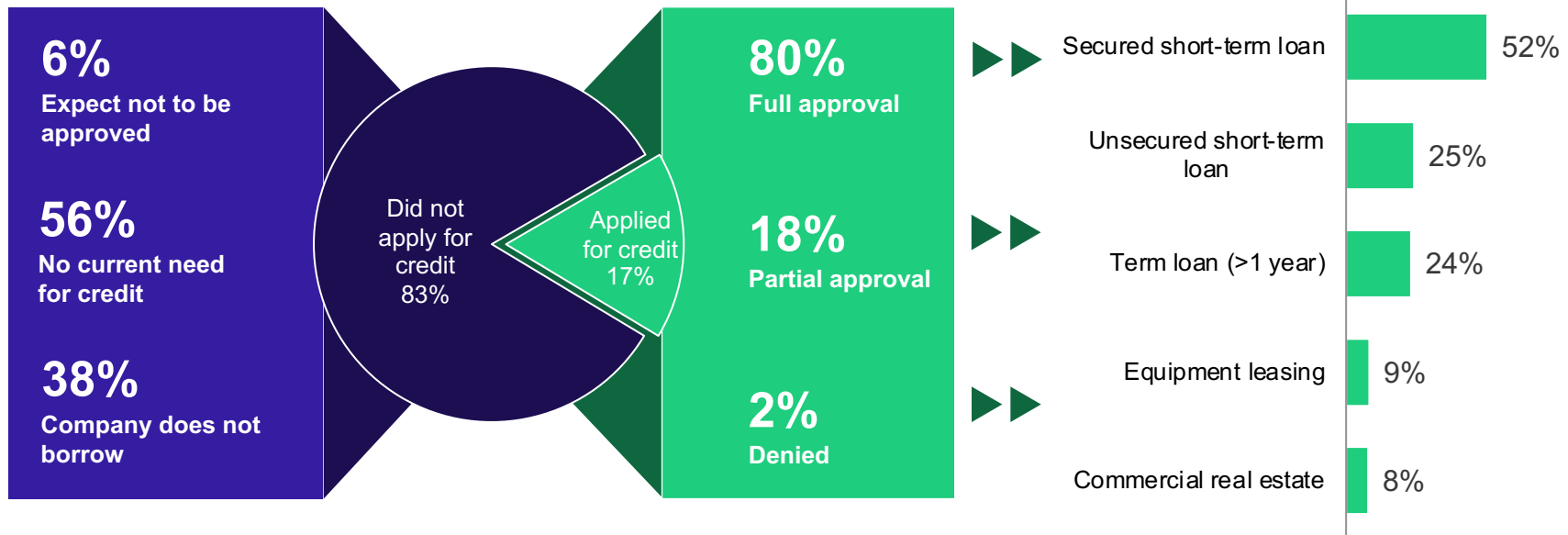


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Very few small businesses were denied when applying for additional credit

SMALL BUSINESS CREDIT APPLICATION OUTCOME

TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



6%
Expect not to be approved

56%
No current need for credit

38%
Company does not borrow

Did not apply for credit
83%

Applied for credit
17%

80%
Full approval

18%
Partial approval

2%
Denied

Secured short-term loan 52%

Unsecured short-term loan 25%

Term loan (>1 year) 24%

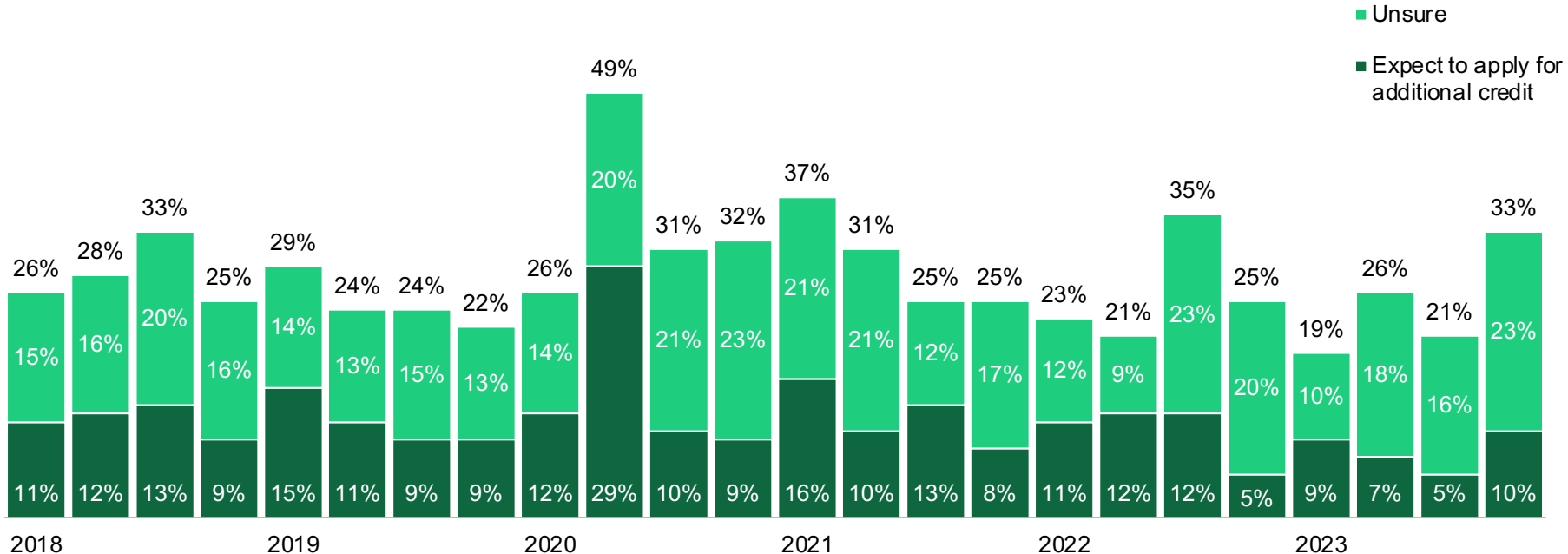
Equipment leasing 9%

Commercial real estate 8%

*Base: those that applied for additional credit \$100K-<10MM
BusinessPulse 4Q2023 Data

One in three small businesses may potentially apply for additional credit

SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



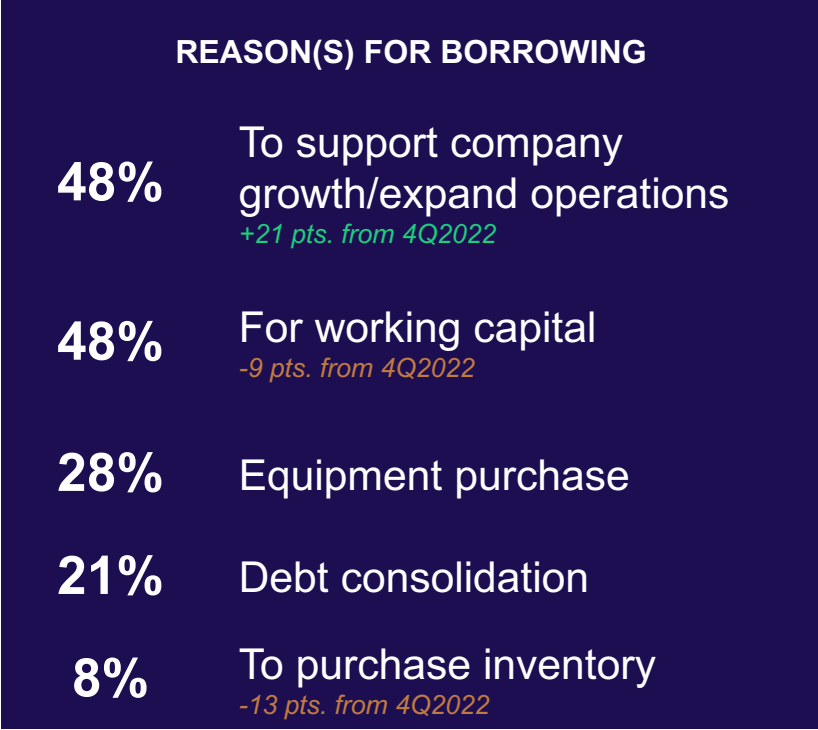
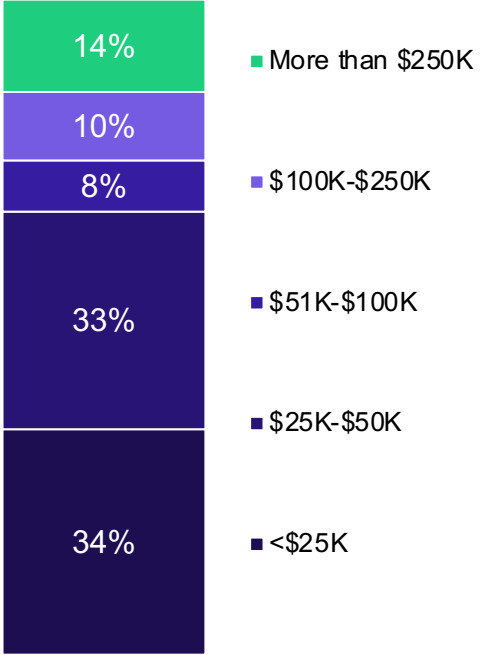
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?

\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2023)

Approximately two in three businesses that may apply for additional credit are likely to request less than \$50K

AMOUNT OF ADDITIONAL CREDIT SMALL BUSINESSES ANTICIPATE BORROWING

33% »
 Expect to apply for additional credit or are unsure



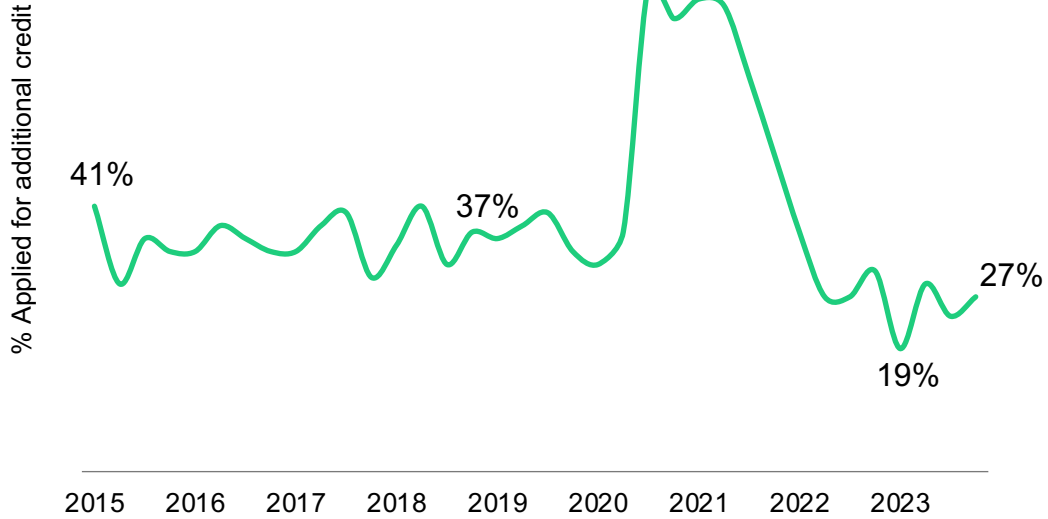
Q: If you expect your company to apply for additional credit or loans in the next 12 months or are unsure, approximately how much do you anticipate borrowing?

Based to those that expect to apply for additional credit or are unsure
 \$100K-<10MM
 BusinessPulse 4Q2023 Data

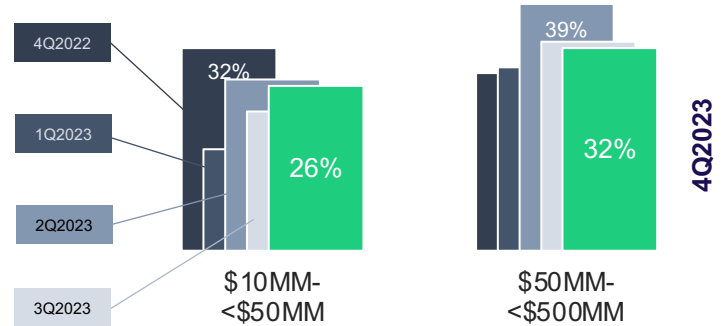
Just over a quarter of middle market companies applied for additional credit

MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

ADDITIONAL CREDIT APPLICATION TREND Including government relief



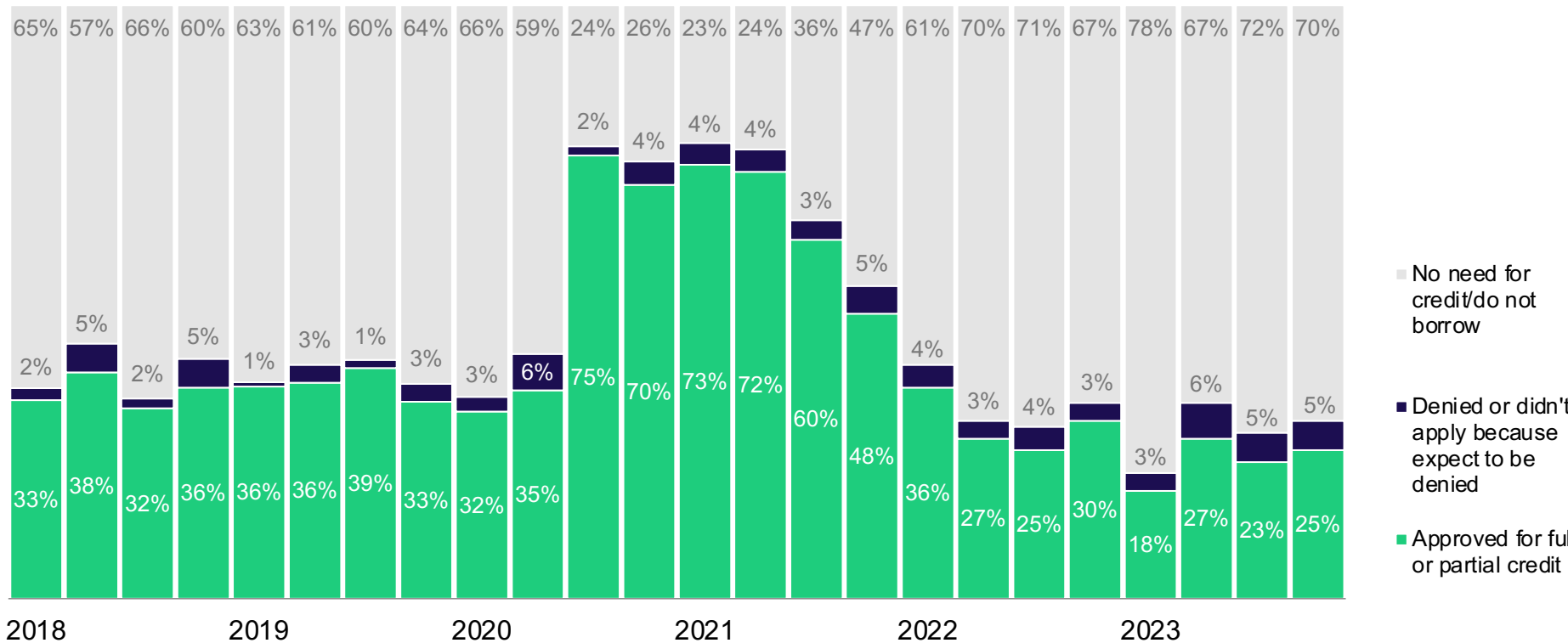
CHANGE FROM 4Q2022



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$10MM-<\$50MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Most middle market companies have no current need for credit or do not borrow

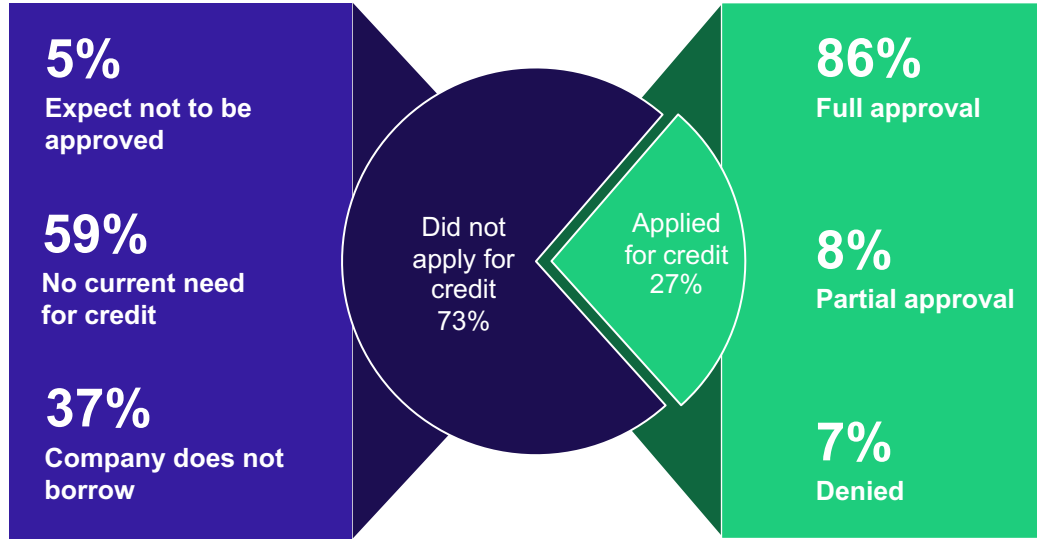
MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT



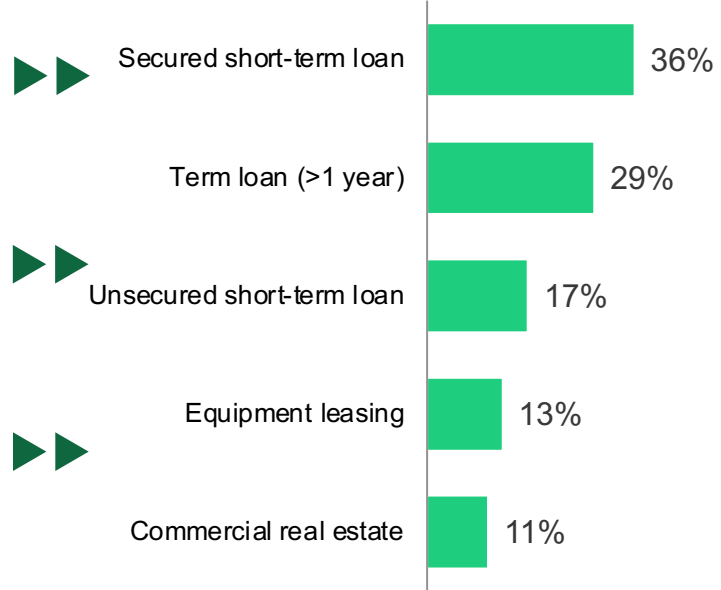
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

An increasing number of middle market companies were denied for the additional credit requested

MIDDLE MARKET CREDIT APPLICATION OUTCOME



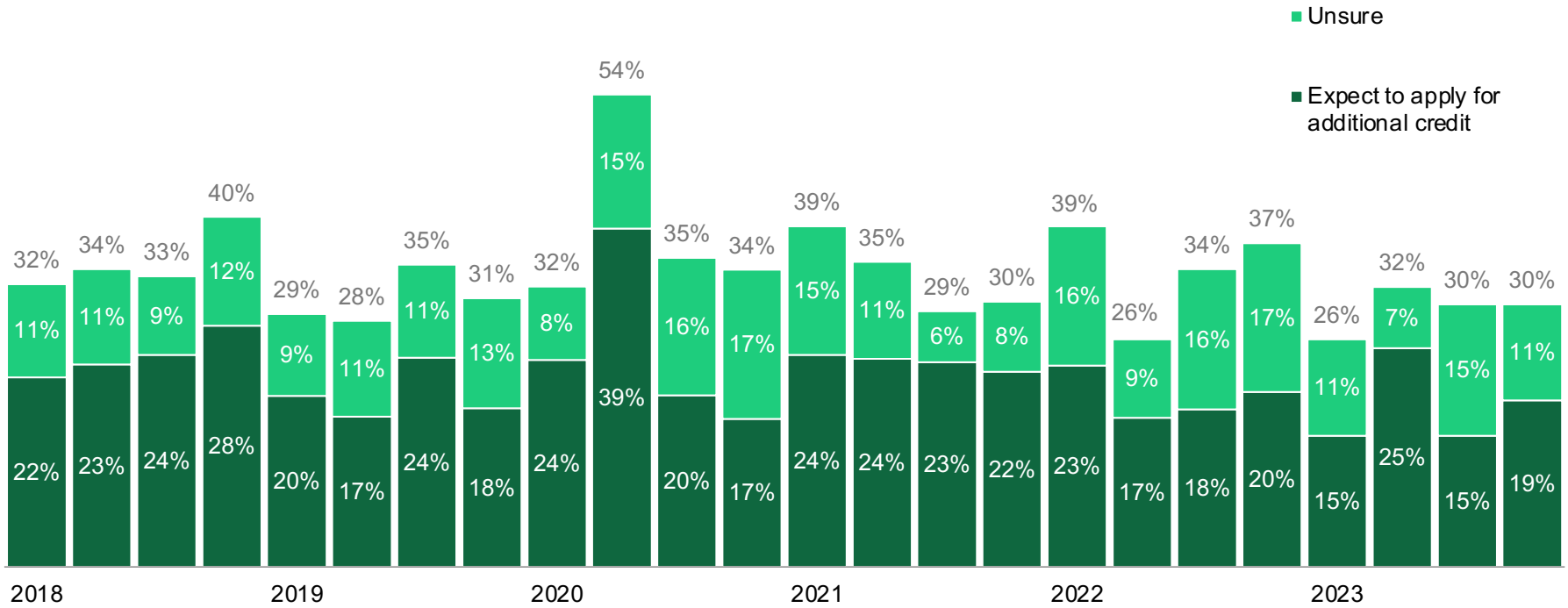
TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



*Base: those that applied for additional credit \$10MM-<5000MM
BusinessPulse 4Q2023 Data

The percentage of middle market companies that anticipate borrowing over the next 12 months increased; however, fewer are unsure

MIDDLE MARKET EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



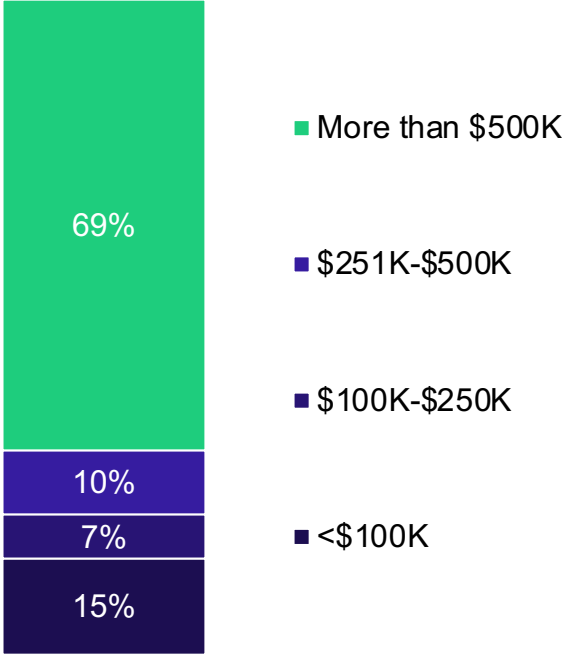
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$10MM-<500MM
 BusinessPulse Quarterly Trending Data (ending 4Q2023)

Middle market companies were more likely to expect to borrow to support growth and less likely to borrow to purchase inventory

AMOUNT OF ADDITIONAL CREDIT MIDDLE MARKET COMPANIES ANTICIPATE BORROWING

30% »

Expect to apply for additional credit or are unsure



REASON(S) FOR BORROWING

- 46%** To support company growth/expand operations
+8 pts. from 4Q2022
- 33%** For working capital
-11 pts. from 4Q2022
- 31%** Equipment purchase
-6 pts. from 4Q2022
- 8%** To purchase inventory
-11 pts. from 4Q2022
- 6%** Debt consolidation

Q: If you expect your company to apply for additional credit or loans in the next 12 months or are unsure, approximately how much do you anticipate borrowing?

Based on those that expect to apply for additional credit or are unsure
\$10MM-<5000MM
BusinessPulse 4Q2023 Data



Methodology

This BusinessPulse report contains data from surveys conducted in the fourth quarter of 2023 by Barlow Research, involving a sample of 454 small businesses and 371 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)

454

Respondents
by mail or online

39.8%

Response rate

±4.60% at 95%

Max error factor

Fielding period

October 2 – October 25, 2023

Middle Market

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

371

Respondents
by mail or online

32.5%

Response rate

±5.09% at 95%

Max error factor

Weighted

By geography and sales volume

