

# BUSINESSPULSE

First Quarter, 2024



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.

# First Quarter 2024 BusinessPulse



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# Key findings

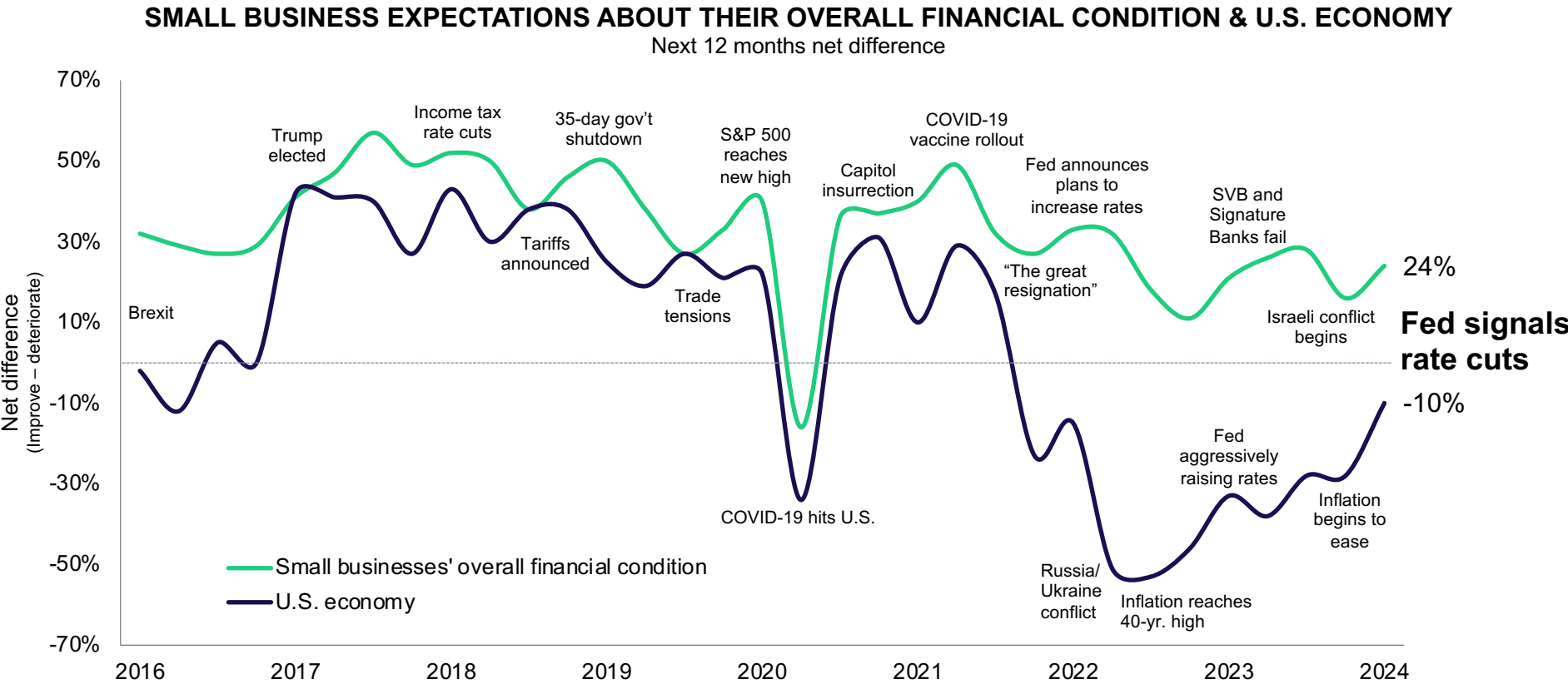
## SMALL BUSINESS

1. Small businesses had a challenging 2023, with deflated sales, little capital spending and limited cash reserves.
2. However, many are optimistic about 2024. Small businesses are increasingly expecting increased sales, profits and, in turn, more capital spending.
3. Demand for additional credit increased for a second consecutive quarter. However, more small businesses were denied or haven't applied because they expect to be denied.

## MIDDLE MARKET

1. Middle market companies are growing increasingly stable, with recovering sales/profits and more excess cash reserves.
2. Middle market companies are increasingly optimistic about the next 12 months, with many anticipating increased sales, profits and excess cash reserves.
3. Demand for additional credit in the middle market remained stable. Over the next 12 months, more than a third of middle market companies expect to apply for additional credit or are unsure.

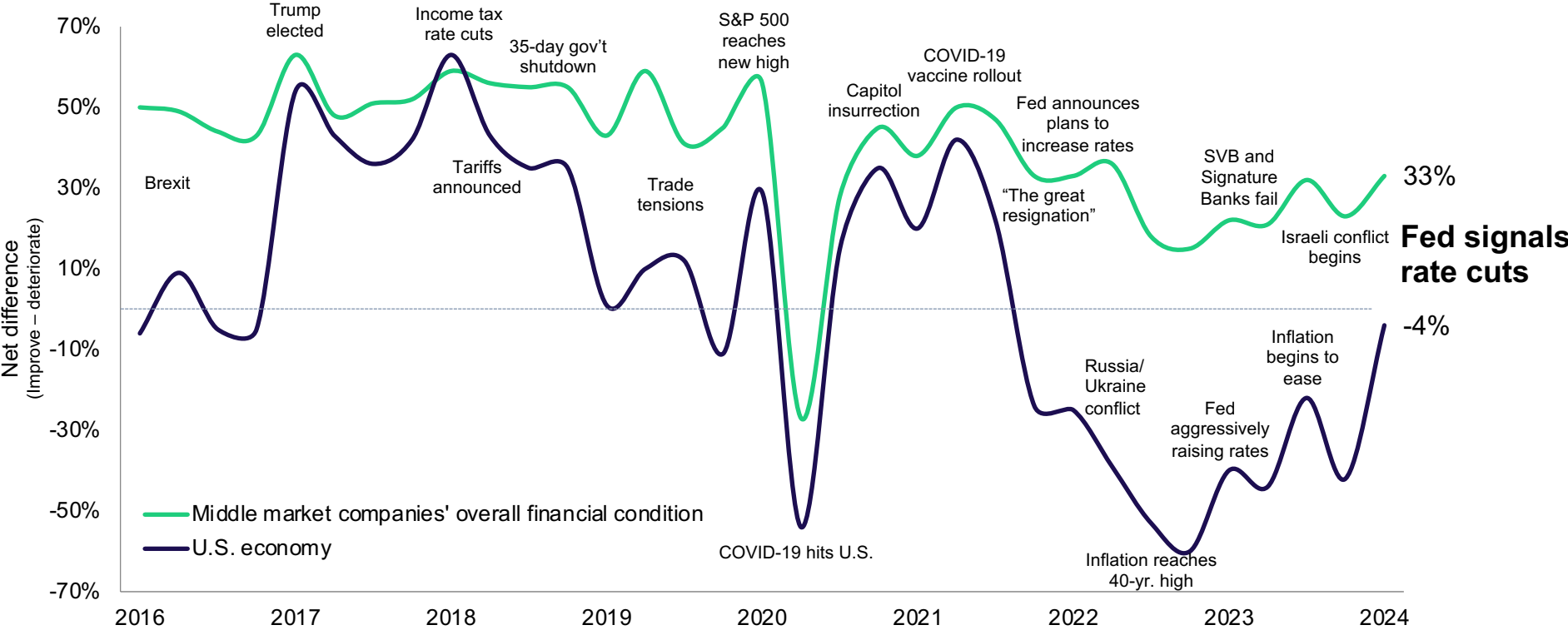
# Small business expectations for the U.S. economy have improved, despite still being negative



Q: During the next 12 months, do you expect...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Middle market expectations about the U.S. economy improved to a two-year high

**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 1Q2024)

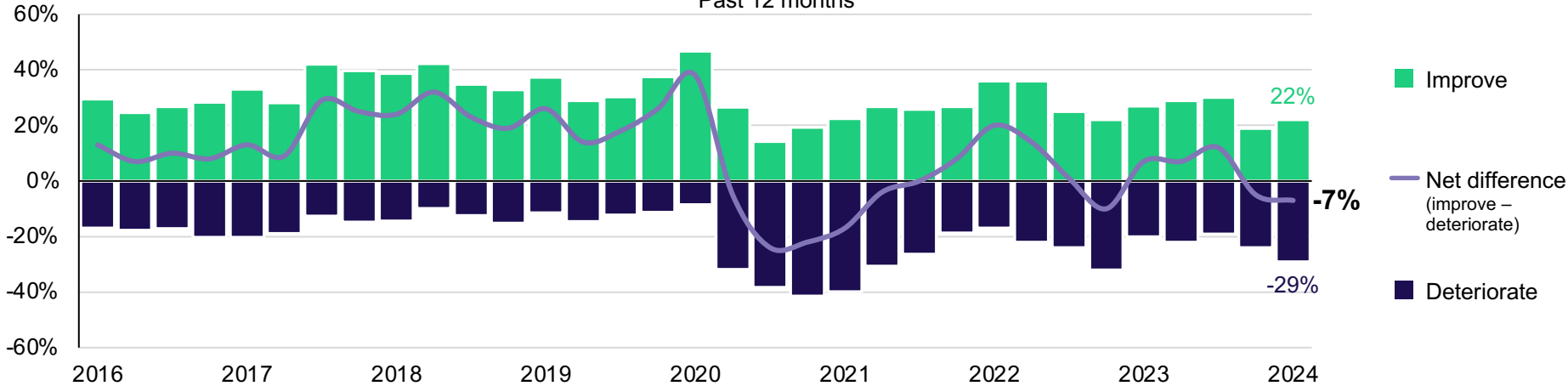
01

# Retrospective economic position

# Small businesses' financial condition net difference stayed negative for the second consecutive quarter

## SMALL BUSINESS FINANCIAL CONDITION

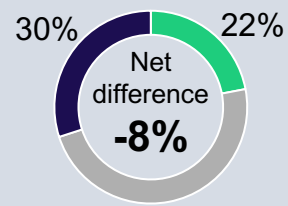
Past 12 months



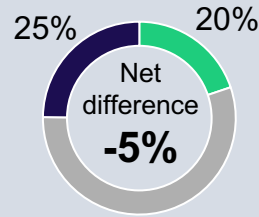
Net difference  
**-7%**

**-2 pts.** from last quarter  
**-14 pts.** from one year ago

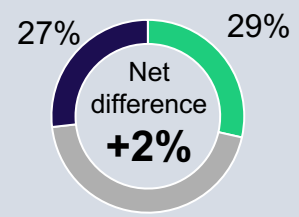
**\$100K-<\$500K**



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



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

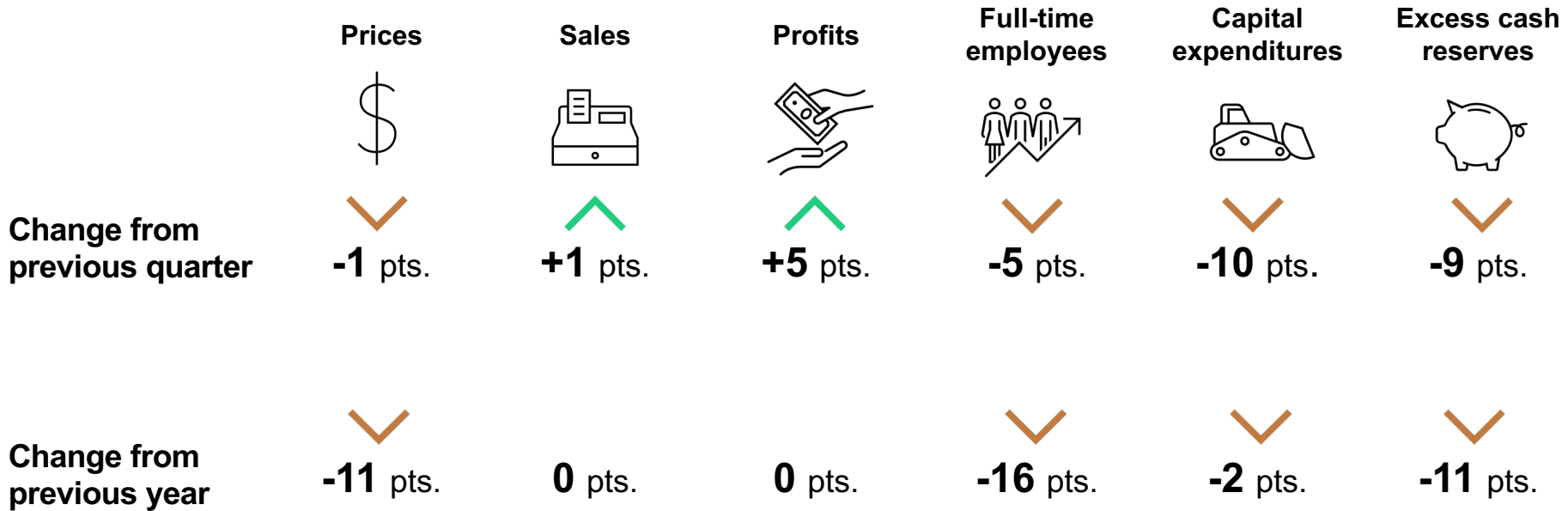


Q: During the last 12 months, did your company's overall financial condition...

\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Small businesses reduced capital expenditures and saw decreased cash reserves over the past 12 months

## SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months



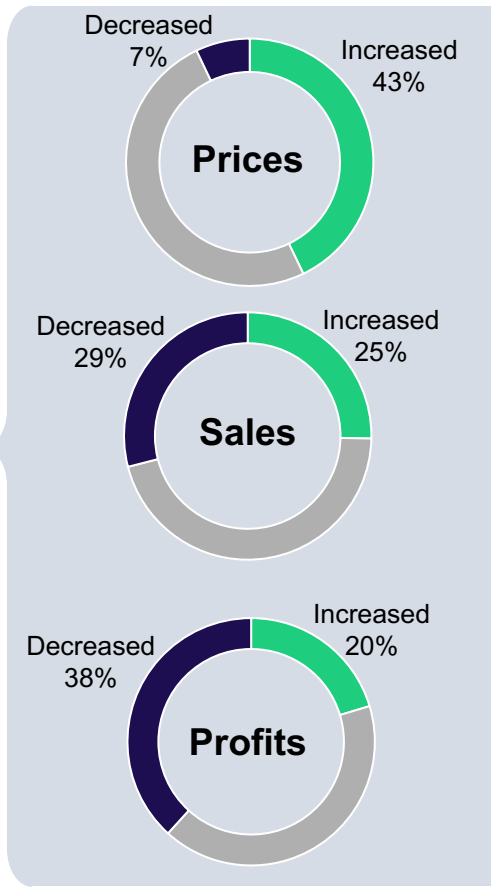
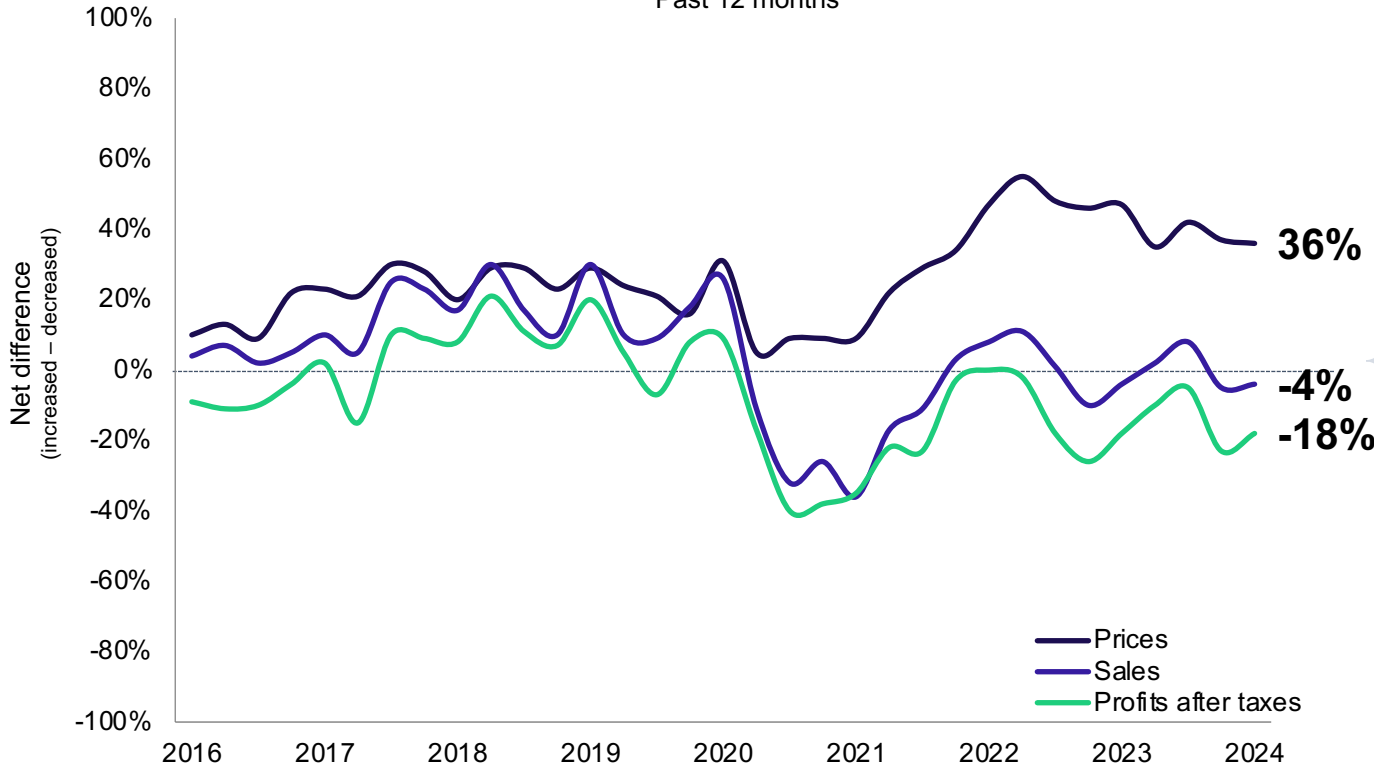
Net difference: increased – decreased

Q: During the last 12 months, did your company's...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)



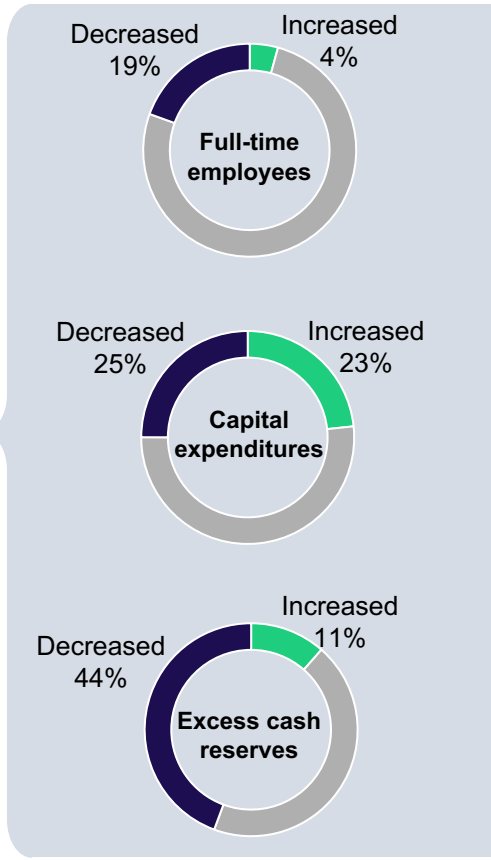
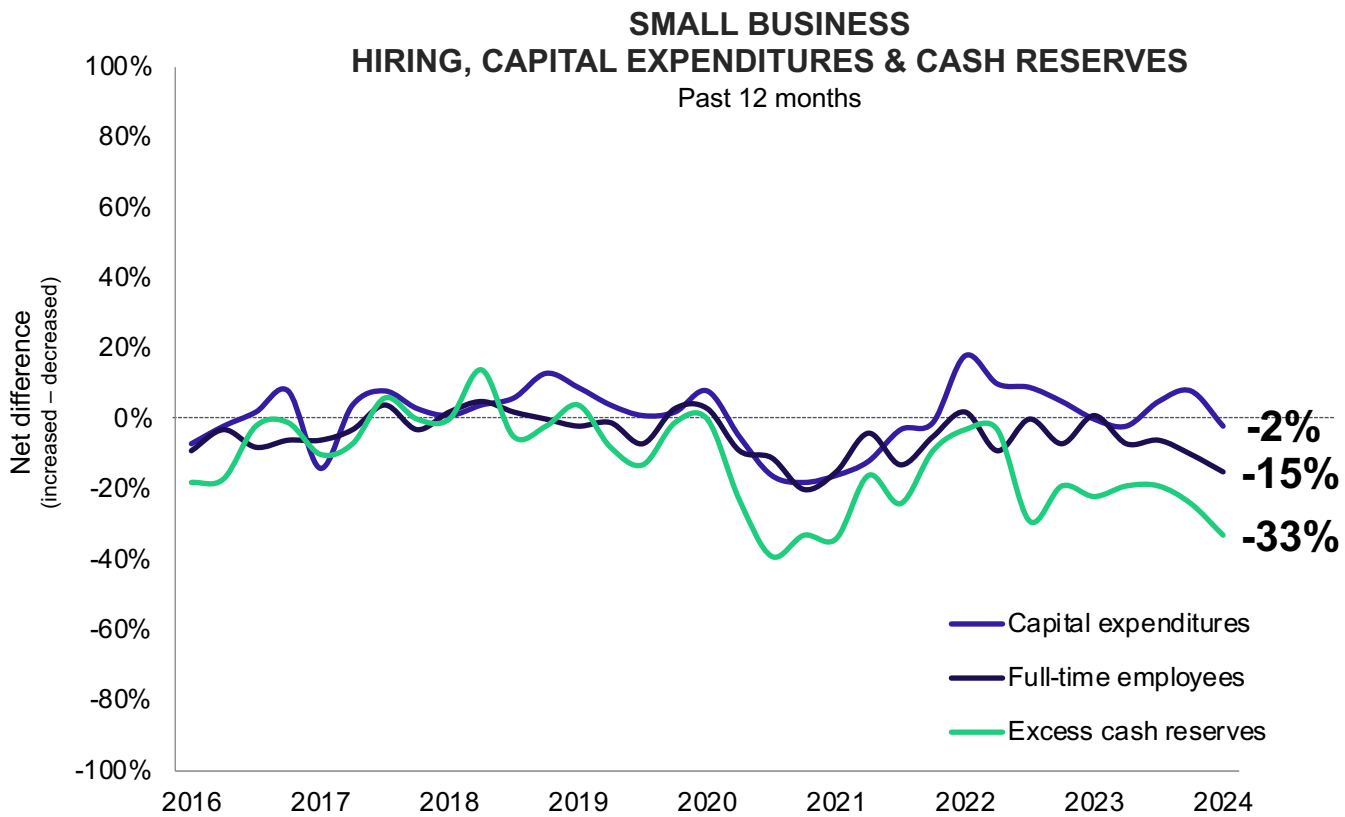
# Over a third of small businesses' profits decreased in the past 12 months

**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 1Q2024)

# Net difference capital expenditures entered negative territory again as hiring and excess cash reserves also continued to trend down

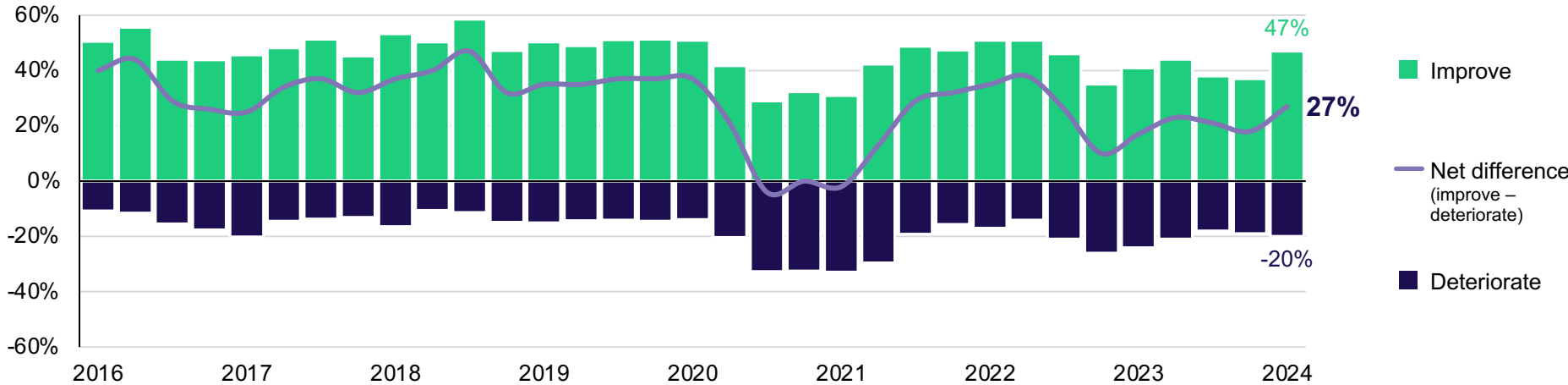


**Q: During the last 12 months, did your company's...**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Middle market financial conditions improved since last quarter

## MIDDLE MARKET FINANCIAL CONDITION

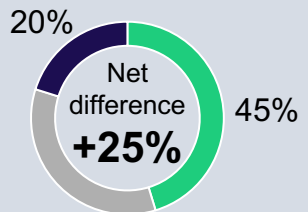
Past 12 months



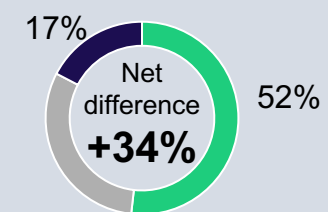
Net difference  
**+27%**

**+9 pts.** from last quarter  
**+10 pts.** from one year ago

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



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





















Q: During the last 12 months, did your company's overall financial condition...

\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)

# As middle market prices decreased, profits and excess cash reserves improved

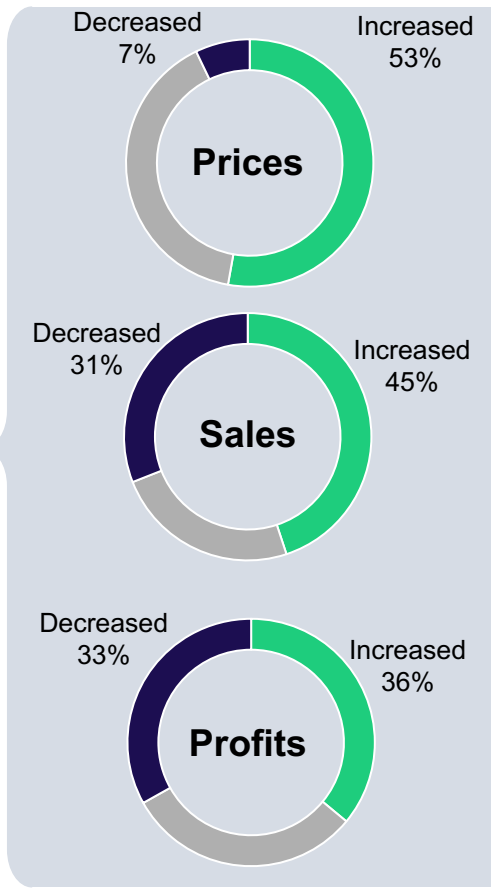
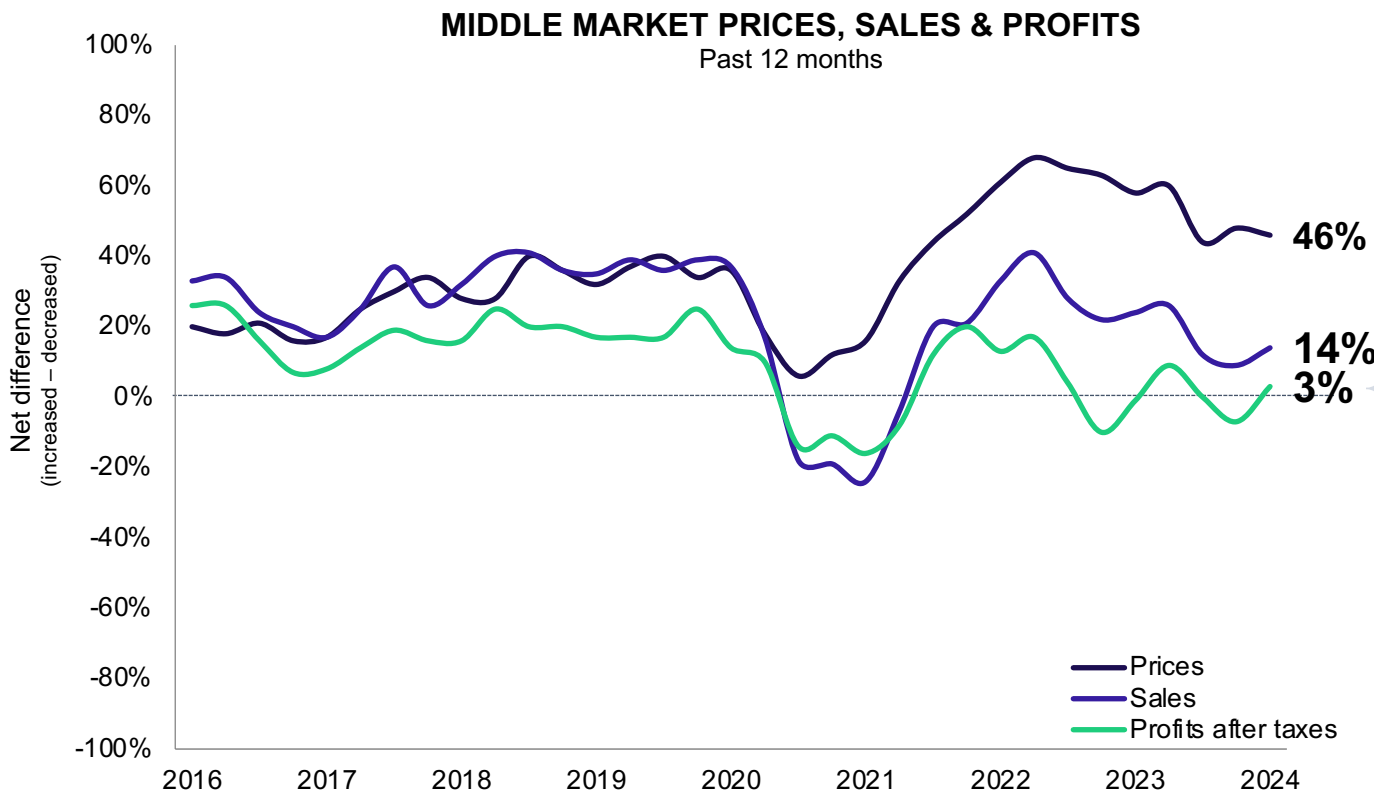
## MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 <b>-2 pts.</b>	 <b>+5 pts.</b>	 <b>+10 pts.</b>	 <b>-4 pts.</b>	 <b>+3 pts.</b>	 <b>+15 pts.</b>
Change from previous year	 <b>-12 pts.</b>	 <b>-10 pts.</b>	 <b>+4 pts.</b>	 <b>+9 pts.</b>	 <b>-6 pts.</b>	 <b>+13 pts.</b>

Net difference: increased – decreased

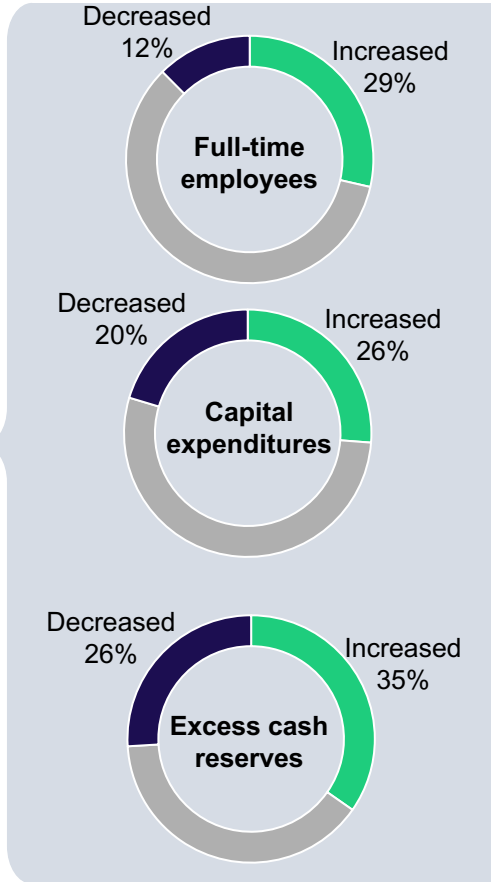
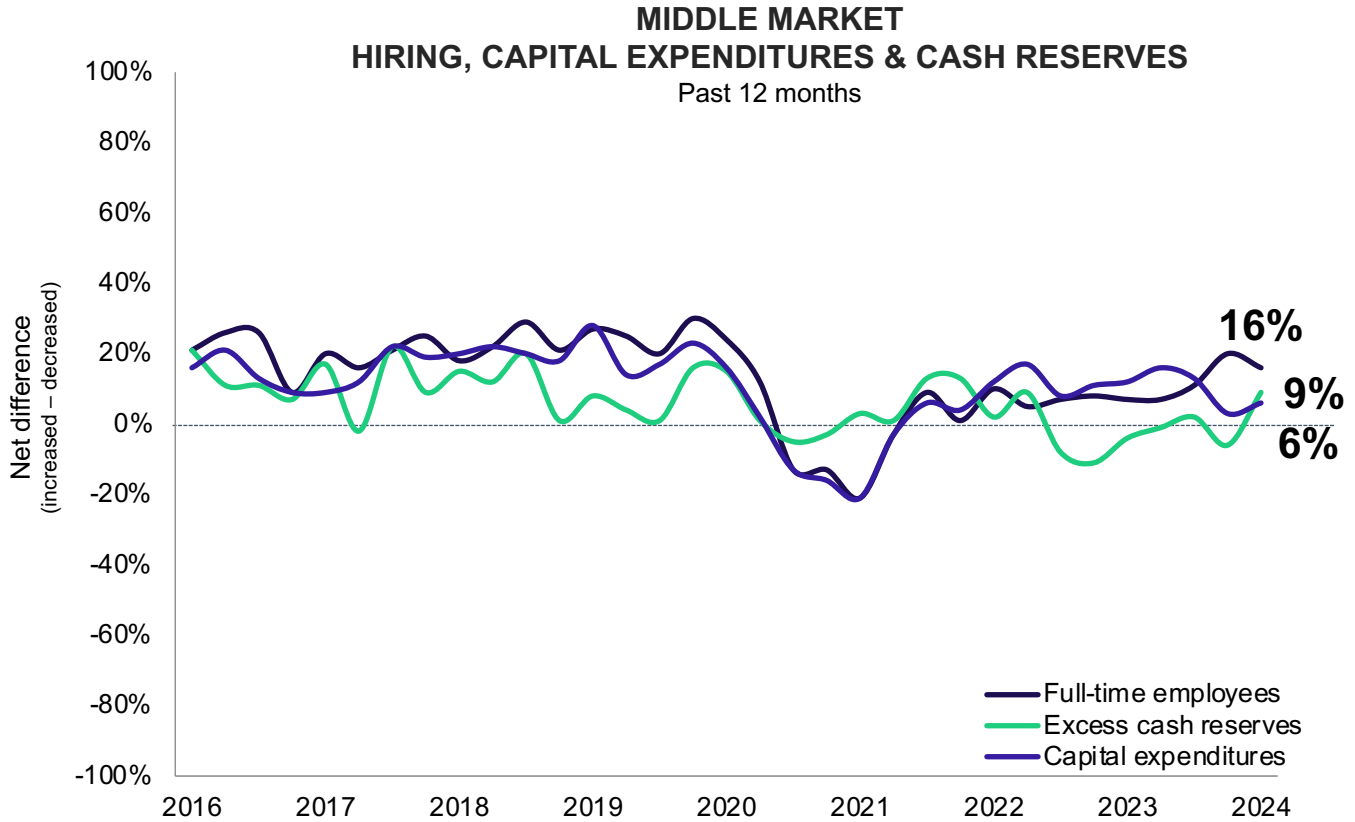
Q: During the last 12 months, did your company's...  
 \$10MM-<500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Middle market sales and profits began to recover in the first quarter of 2024



Q: During the last 12 months, did your company's...  
 \$10MM-<500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Middle market excess cash reserves have increased to their highest level since 2022



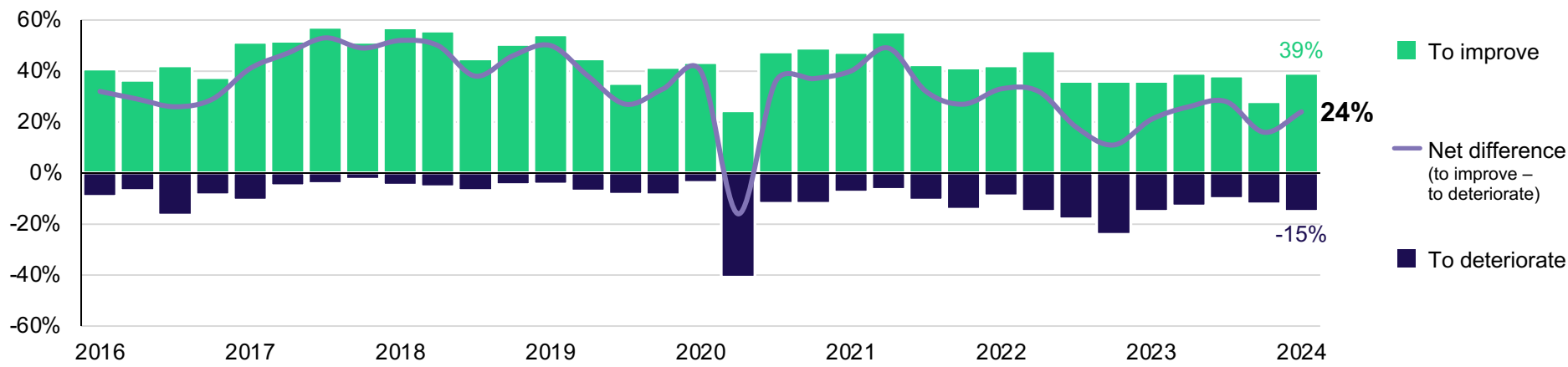
Q: During the last 12 months, did your company's...  
\$10MM-<500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)

02

# Expected economic position

# Small businesses expectations about their financial condition became more optimistic

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



**Net difference**  
**+24%**

**+8 pts.** from last quarter

**+3 pts.** from one year ago

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

15%

39%

Net difference **+24%**

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

12%

40%

Net difference **+27%**

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

19%

37%



















Net difference **+18%**

**Q: During the next 12 months, do you expect your company's overall financial condition to...**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)



# With small businesses expecting improved sales and profits, they also expect to increase capital spending

## SMALL BUSINESS NET DIFFERENCE CHANGES Next 12 months

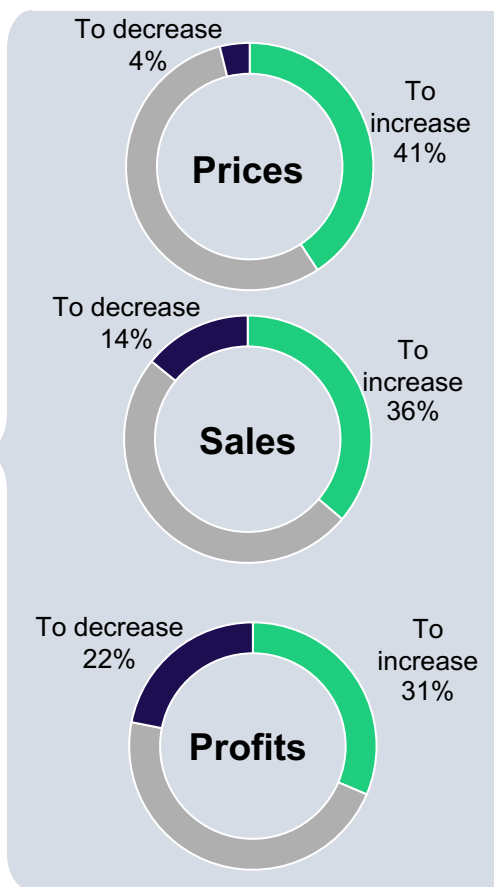
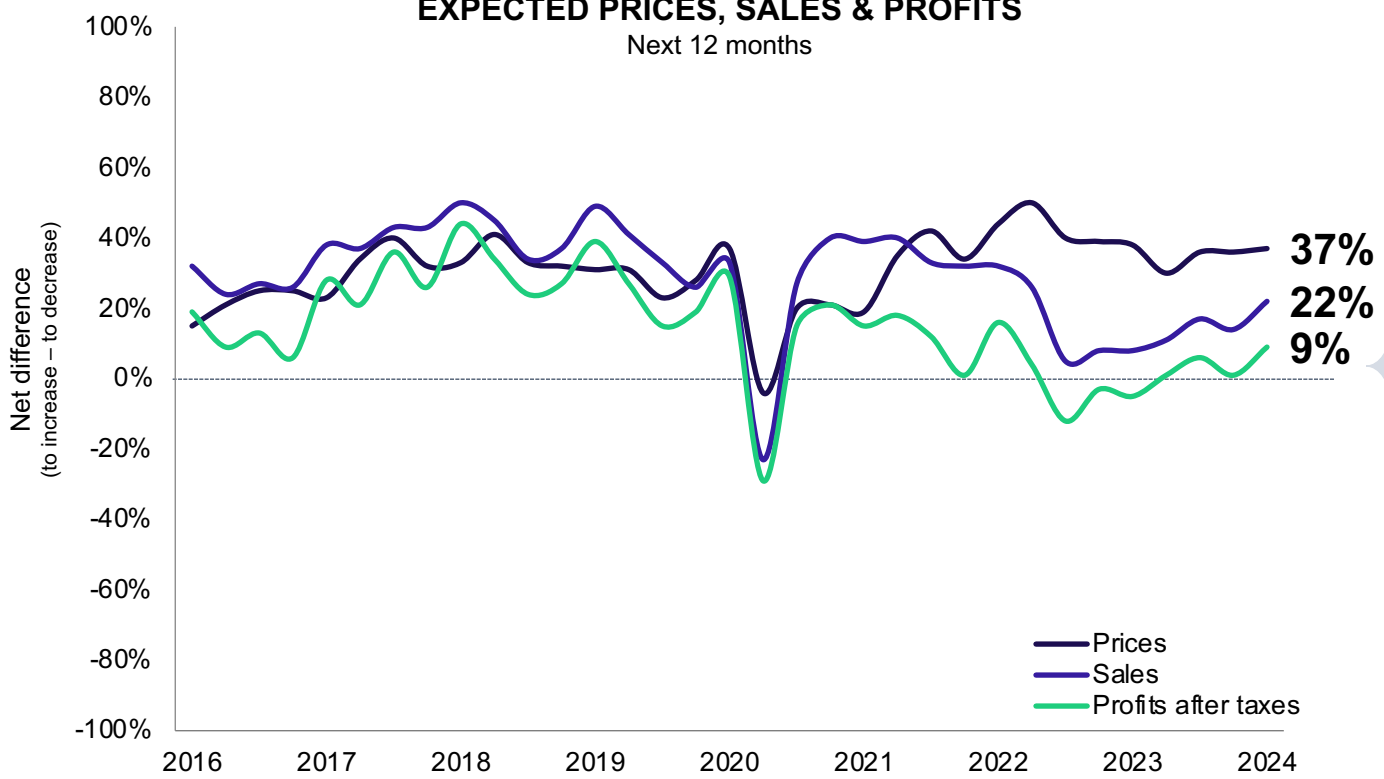
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
<b>Change from previous quarter</b>	  <b>+1 pts.</b>	  <b>+8 pts.</b>	  <b>+8 pts.</b>	  <b>-1 pts.</b>	  <b>+11 pts.</b>	  <b>+1 pts.</b>
<b>Change from previous year</b>	 <b>-1 pts.</b>	 <b>+14 pts.</b>	 <b>+14 pts.</b>	 <b>-1 pts.</b>	 <b>+6 pts.</b>	 <b>+8 pts.</b>

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 1Q2024)

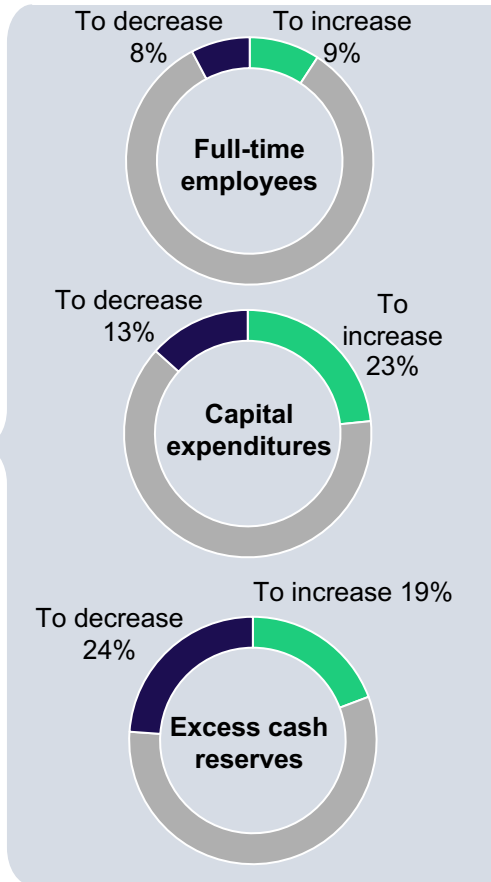
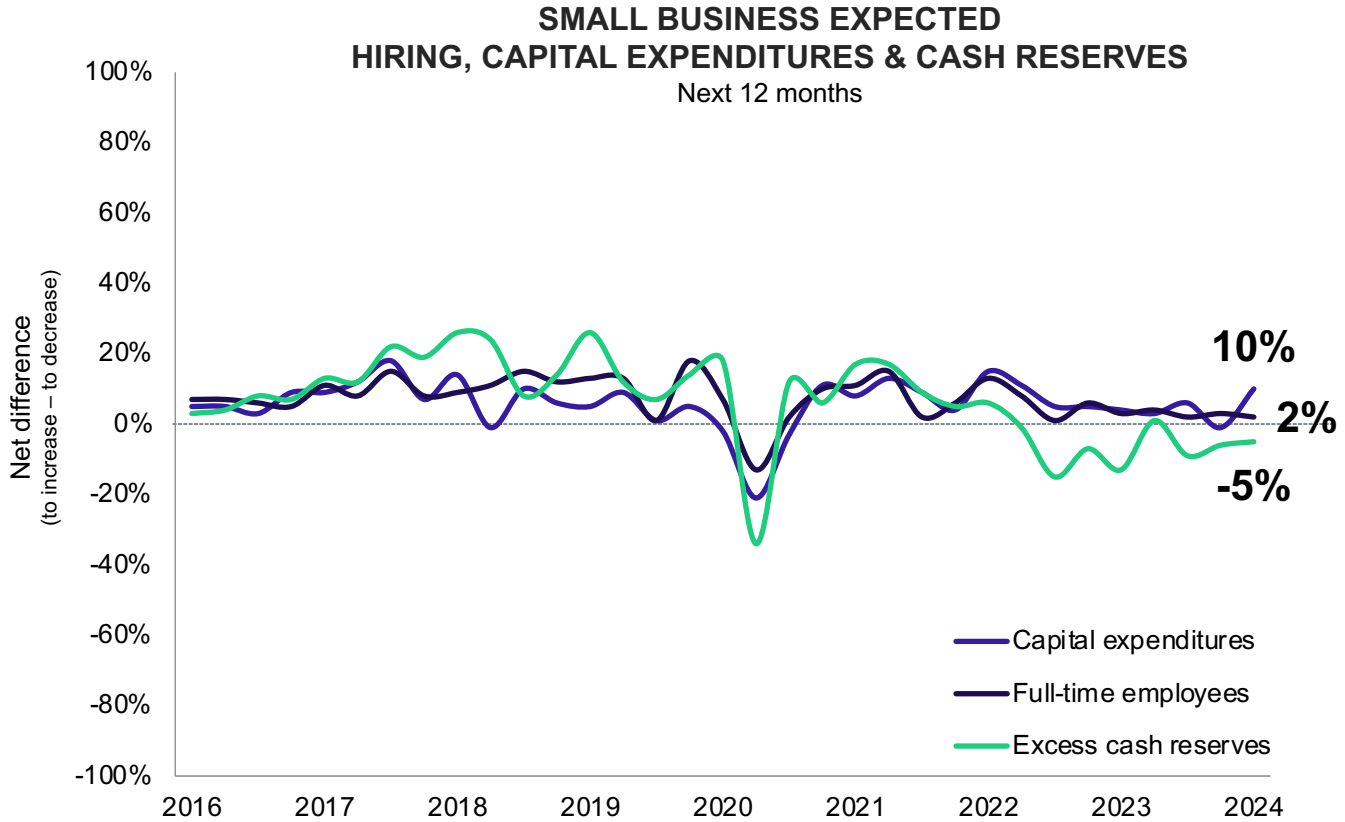
# Price expectations remained flat while sales and profits are expected to increase

**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 1Q2024)

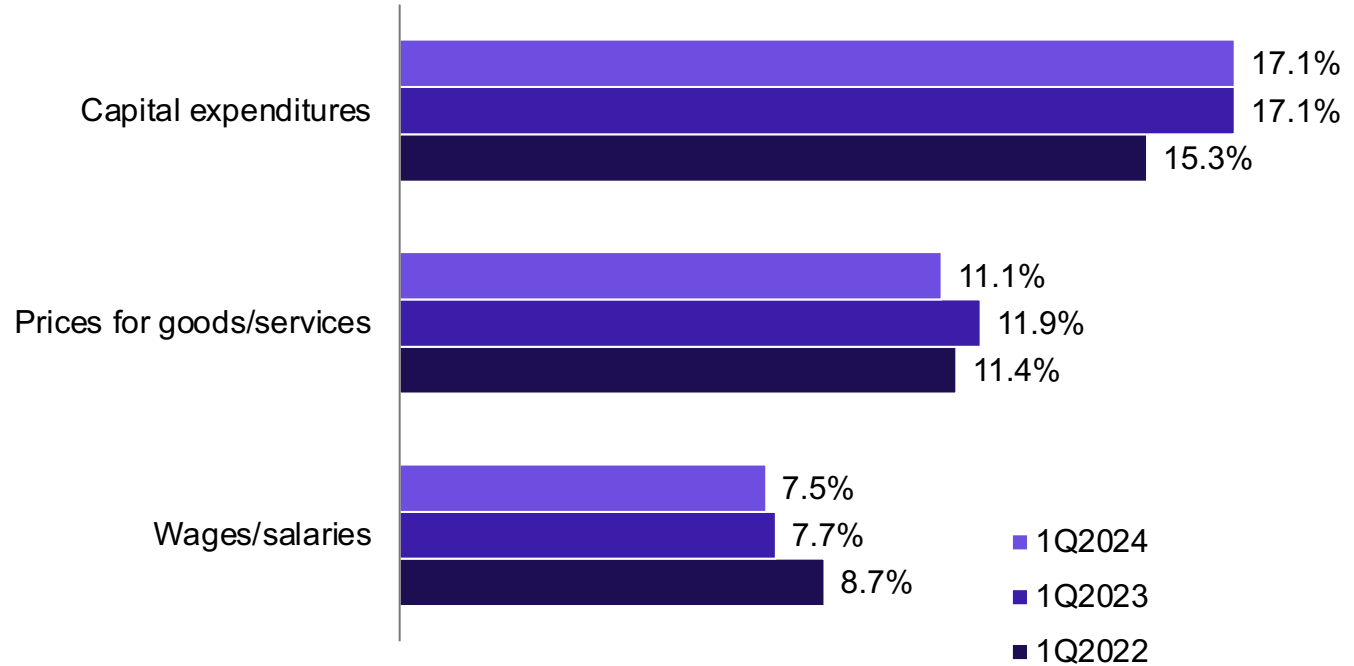
# Capital expenditure expectations reached their highest point in nearly two years



Q: During the next 12 months, do you expect your company's...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Small businesses expect price, capital expenditure and wage/salary increases to stay relatively the same as in 2023

### AVG. EXPECTED SMALL BUSINESS WAGE, PRICE AND CAPITAL EXPENDITURE INCREASES

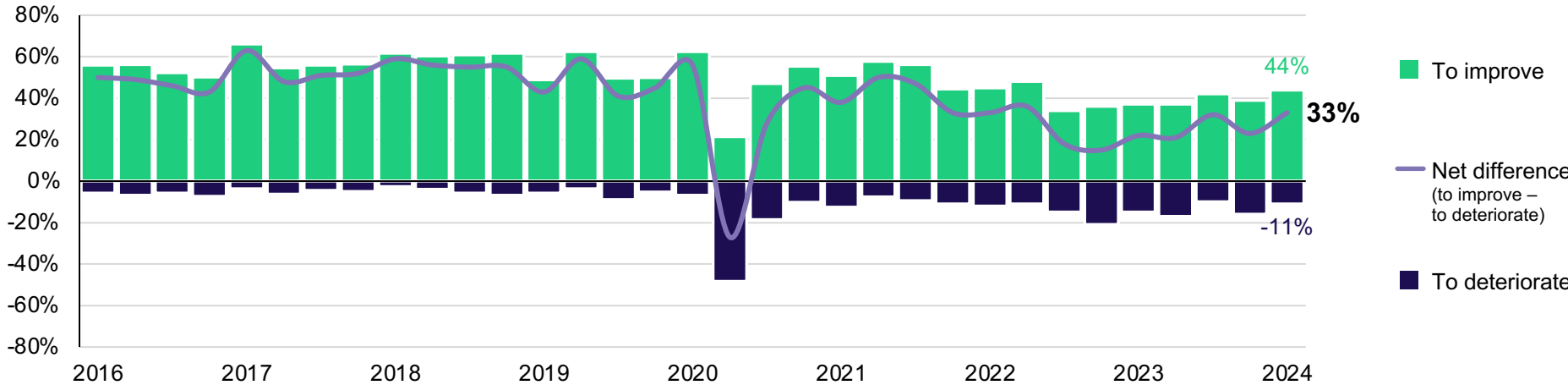


**Q: During the next 12 months, what is the average increase your company plans to implement regarding...**  
Based on those anticipating an increased \$100K-<\$10MM  
BusinessPulse First Quarter Data

# Middle market financial conditions are expected to improve in the next year

## MIDDLE MARKET EXPECTED FINANCIAL CONDITION

Next 12 months



**Net difference**  
**+33%**

**+10 pts.** from last quarter

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

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

11% To deteriorate, 43% Net difference, 43% To improve

**Net difference +32%**

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

10% To deteriorate, 45% Net difference, 45% To improve



















**Net difference +35%**

Q: During the next 12 months, do you expect your company's overall financial condition to...  
 \$10MM-<500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Middle market companies grew increasingly optimistic as sales, profits and excess cash reserves are expected to increase

## MIDDLE MARKET NET DIFFERENCE CHANGES

Next 12 months

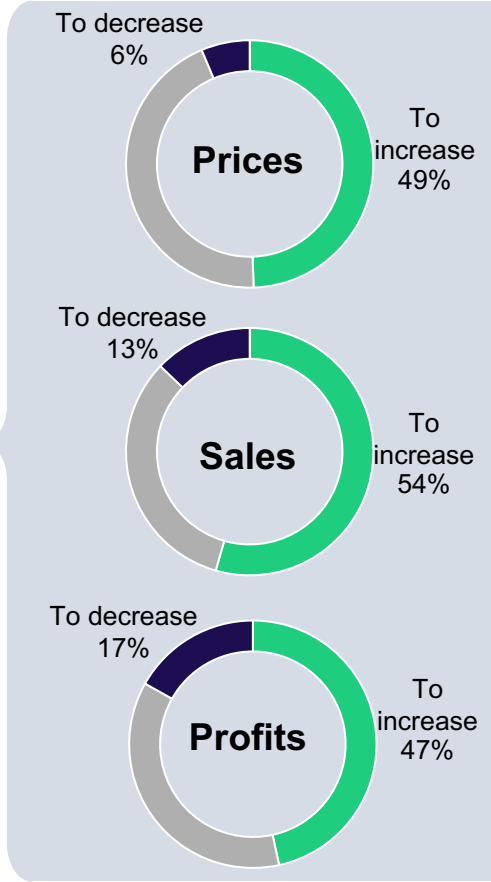
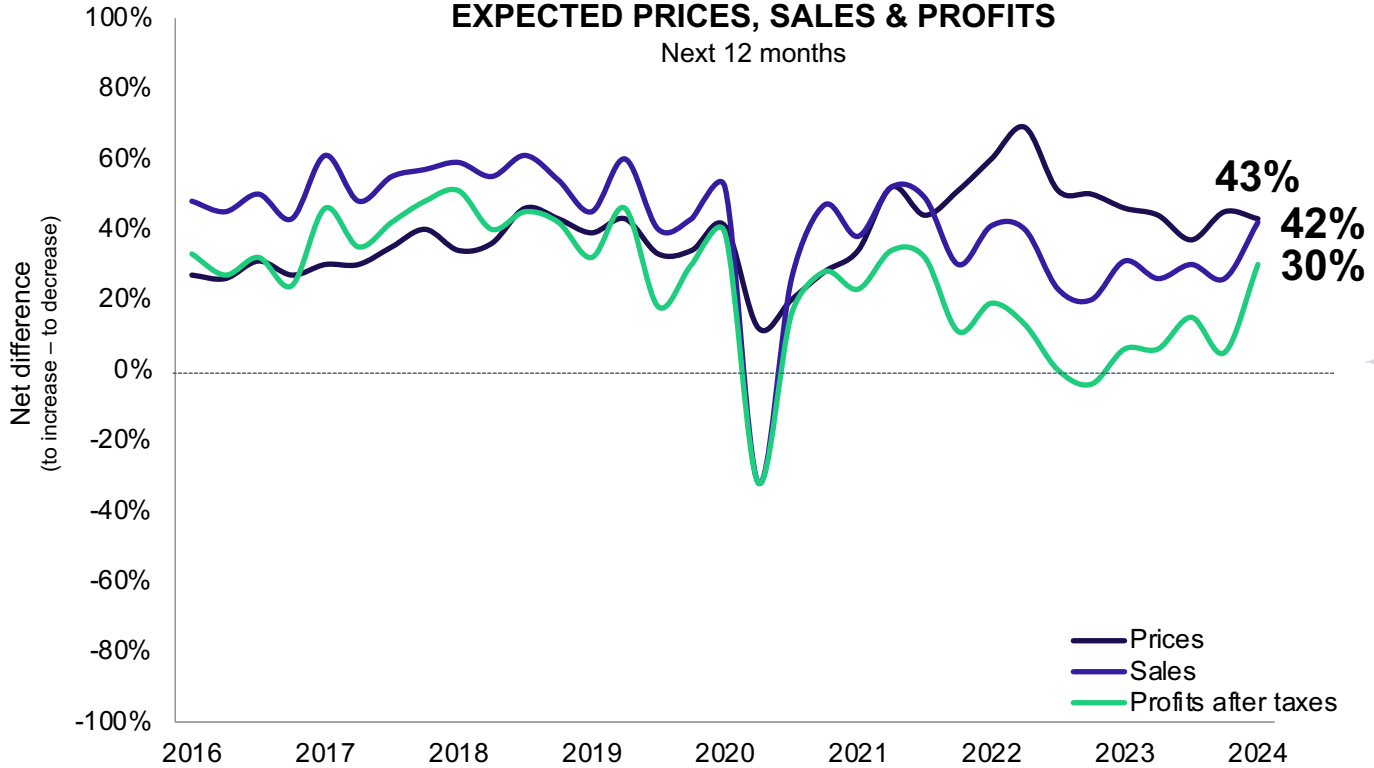
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
						
Change from previous quarter	 -2 pts.	 +16 pts.	 +25 pts.	 -5 pts.	 +1 pts.	 +17 pts.
Change from previous year	 -3 pts.	 +11 pts.	 +24 pts.	 0 pts.	 +5 pts.	 +5 pts.

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 1Q2024)

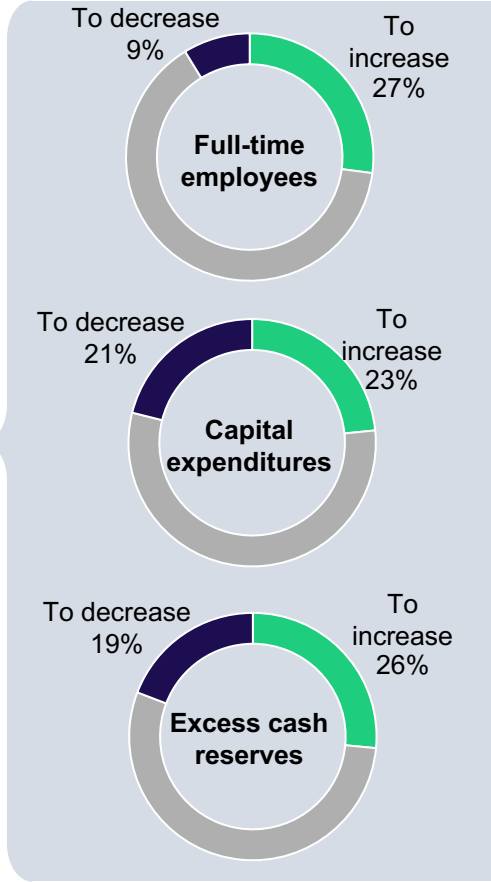
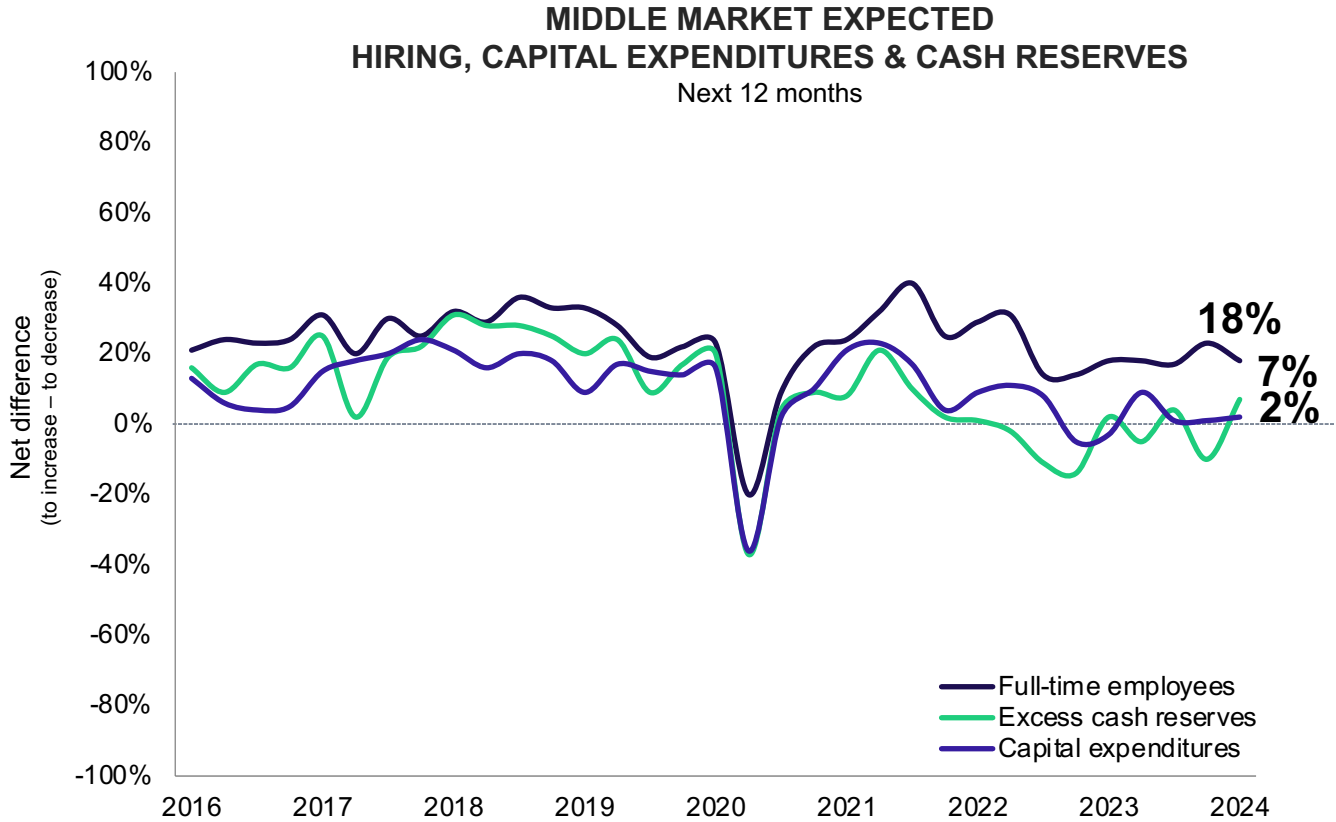
# Sales and profit expectations increased as middle market companies became slightly less likely to expect price increases

**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 1Q2024)

# Capital expenditure expectations increased to their highest level in two years

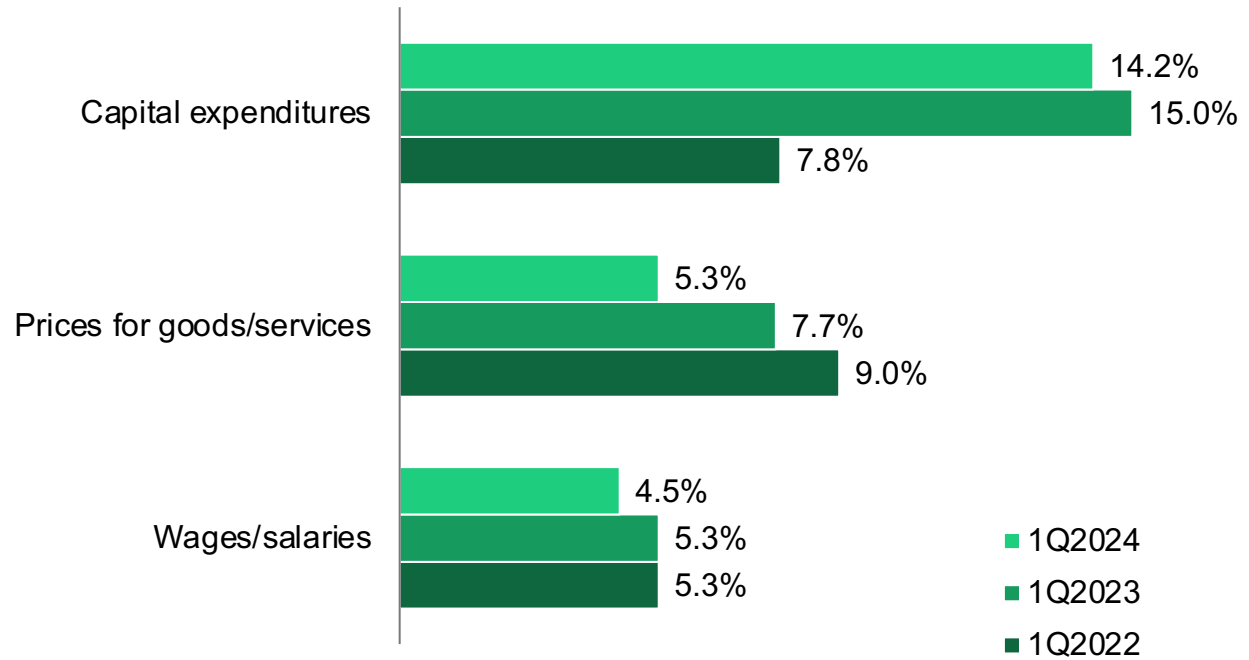


**Q: During the next 12 months, do you expect your company's...**  
\$10MM-<500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)



# Middle market expectations for price increases continues to trend down

AVG. EXPECTED MIDDLE MARKET WAGE, PRICE AND CAPITAL EXPENDITURE INCREASES



**Q: During the next 12 months, what is the average increase your company plans to implement regarding...**  
Based to those anticipating an increased \$10MM-<\$500MM  
BusinessPulse First Quarter Data

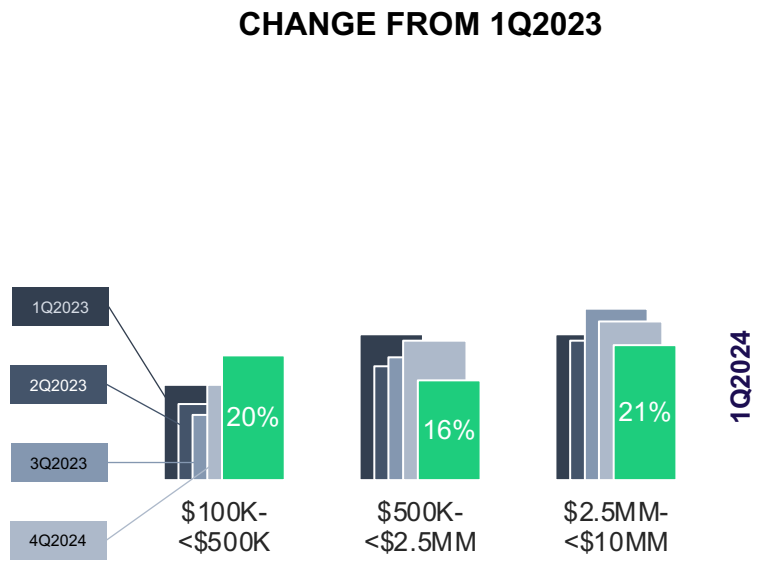
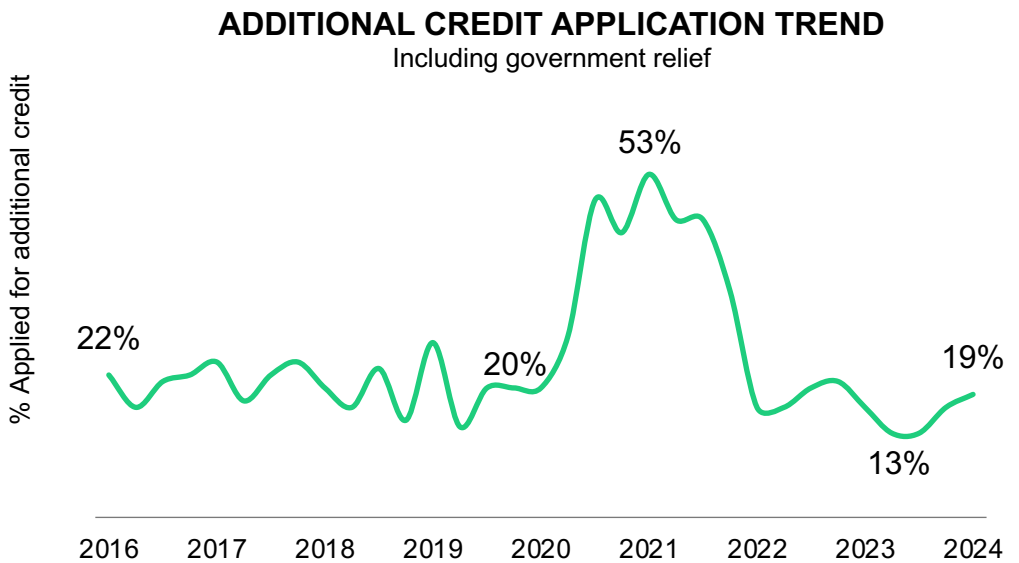
03

# Credit outlook



# Small business demand for additional credit increased for a second consecutive quarter

## SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

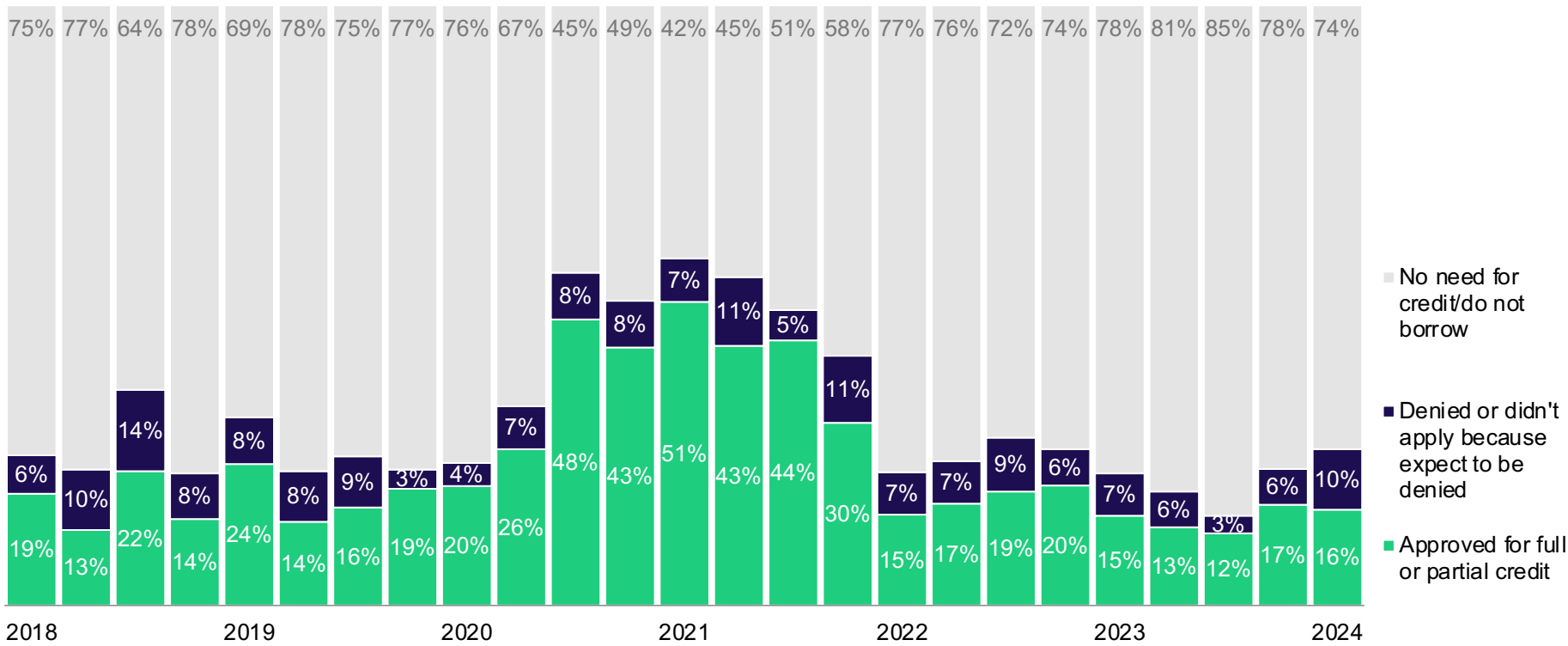


**Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?**

\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2024)

# The number of small businesses that were denied or expected to be denied for additional credit has increased

## SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT

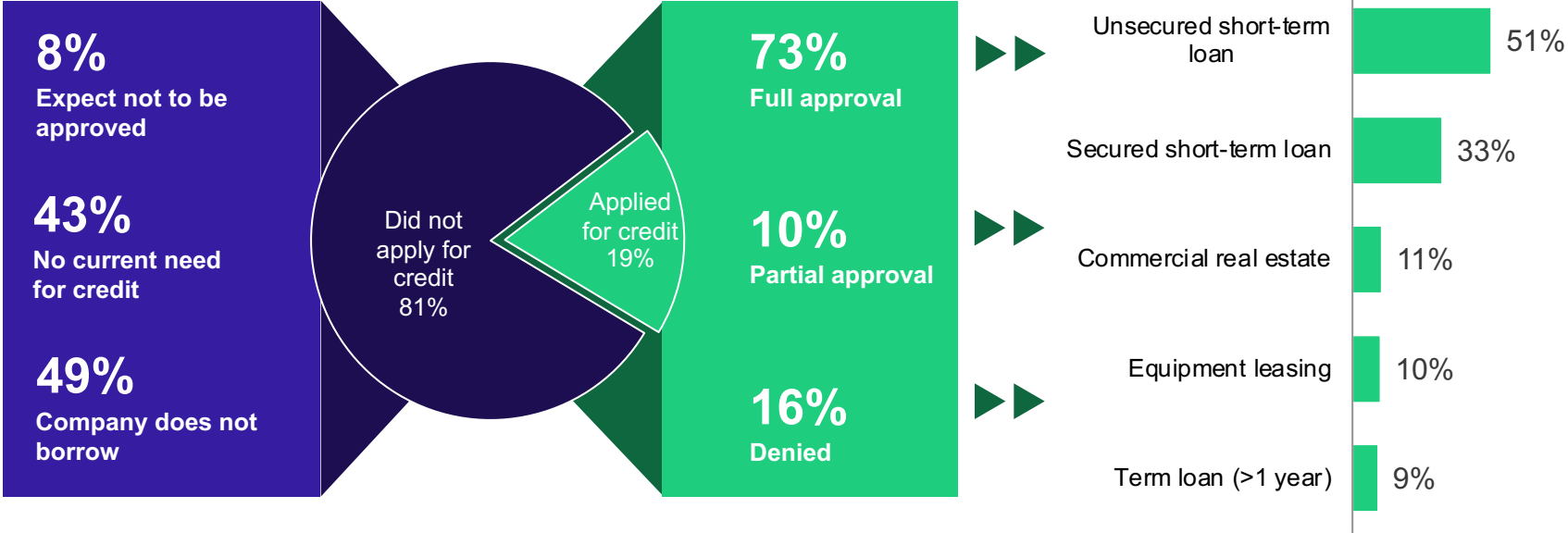


**Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

# Sixteen percent of small businesses that applied for additional credit were declined

## SMALL BUSINESS CREDIT APPLICATION OUTCOME

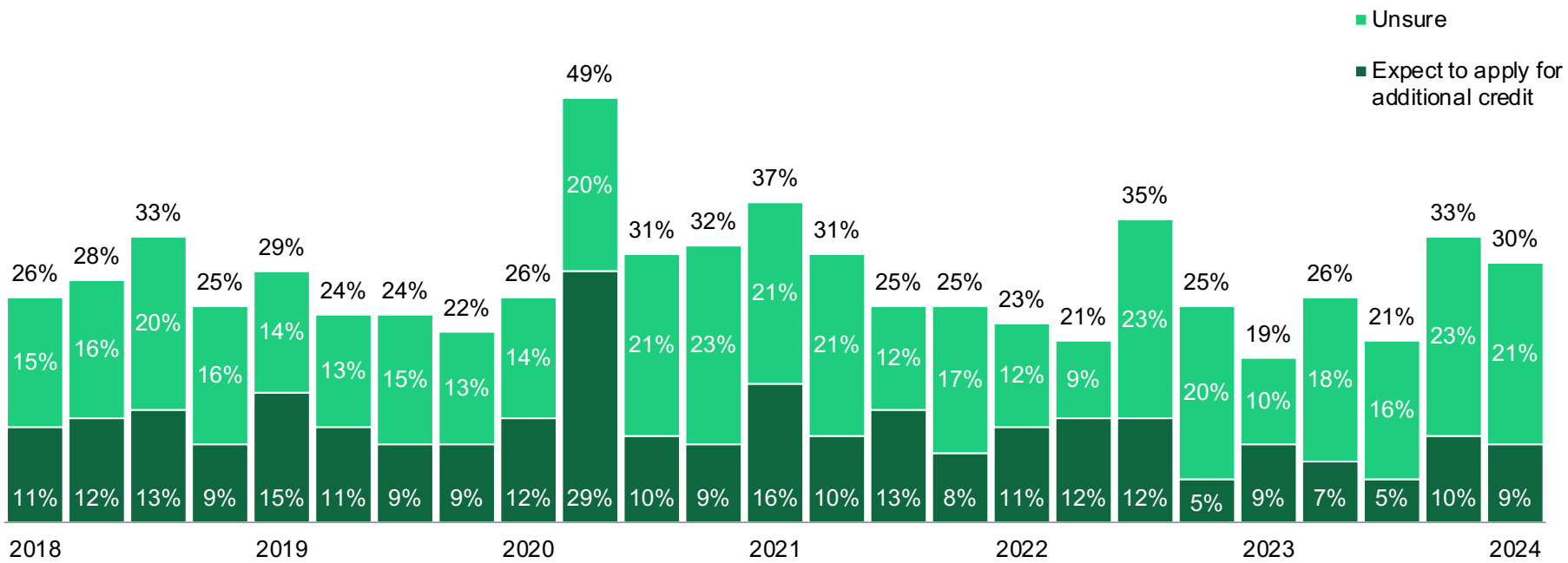
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\*Base: those that applied for additional credit  
\$100K-<10MM  
BusinessPulse 1Q2024 Data

# Small business expectations for applying for additional credit remains elevated from the previous quarter

## SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT

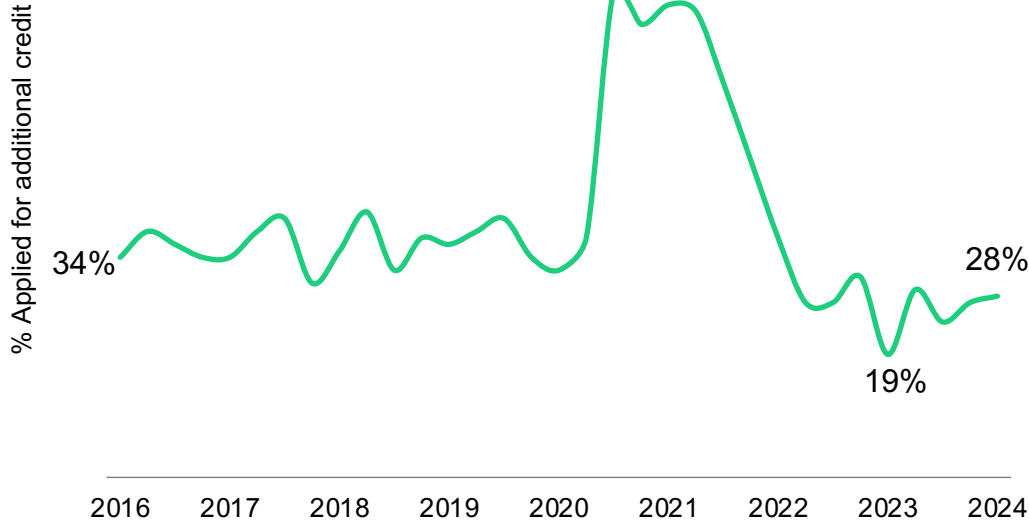


Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

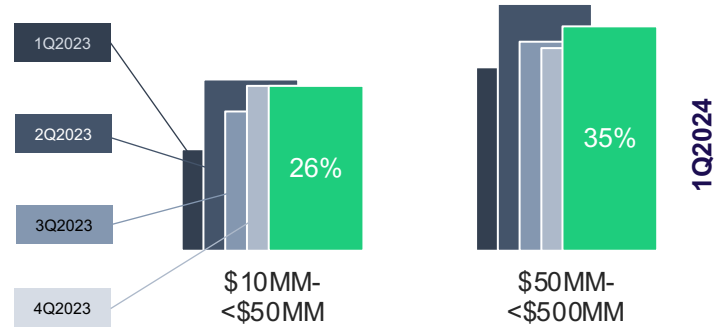
# Middle market demand for additional credit remained stable

## MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

### ADDITIONAL CREDIT APPLICATION TREND Including government relief



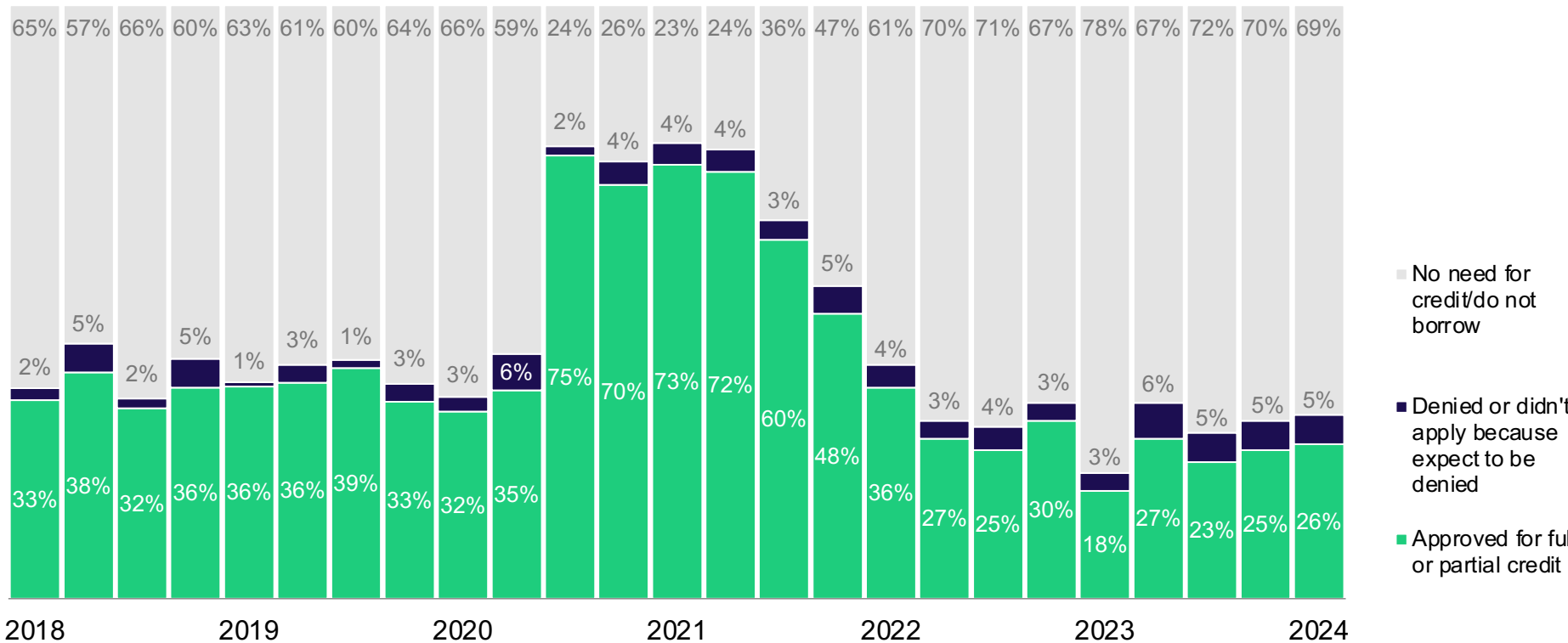
### CHANGE FROM 1Q2023



**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 1Q2024)

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

MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT

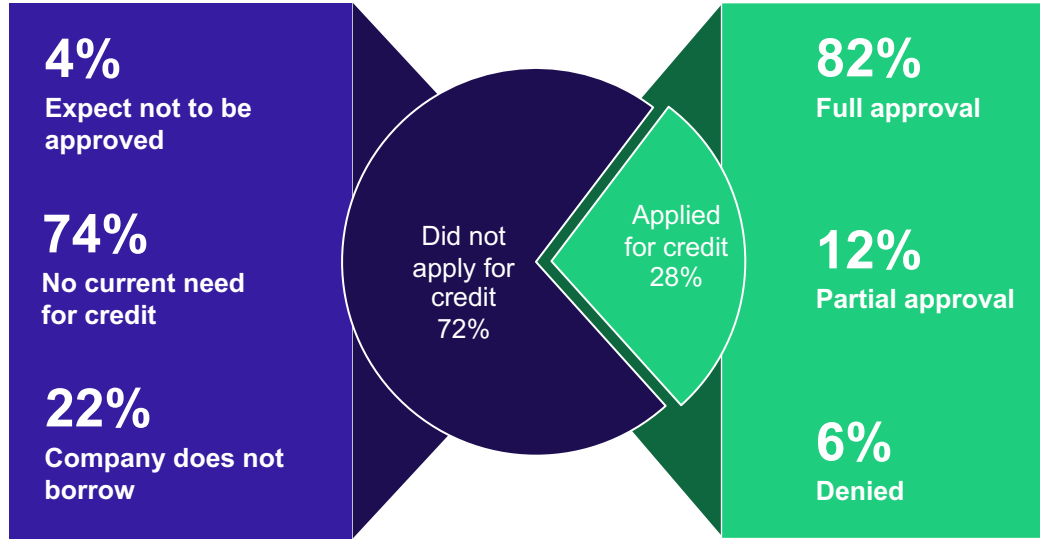


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$10MM-<500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2024)

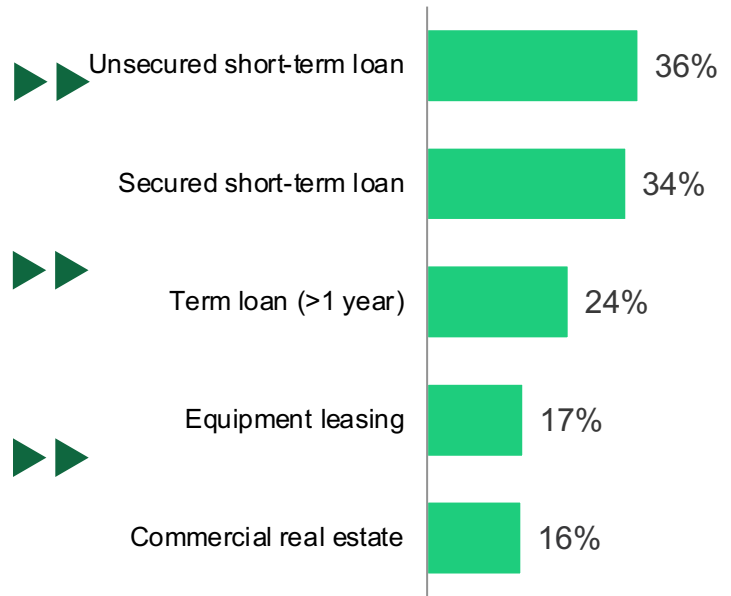


# Of those that applied for additional credit, over a third were attempting to acquire unsecured or secured short-term loans

## MIDDLE MARKET CREDIT APPLICATION OUTCOME



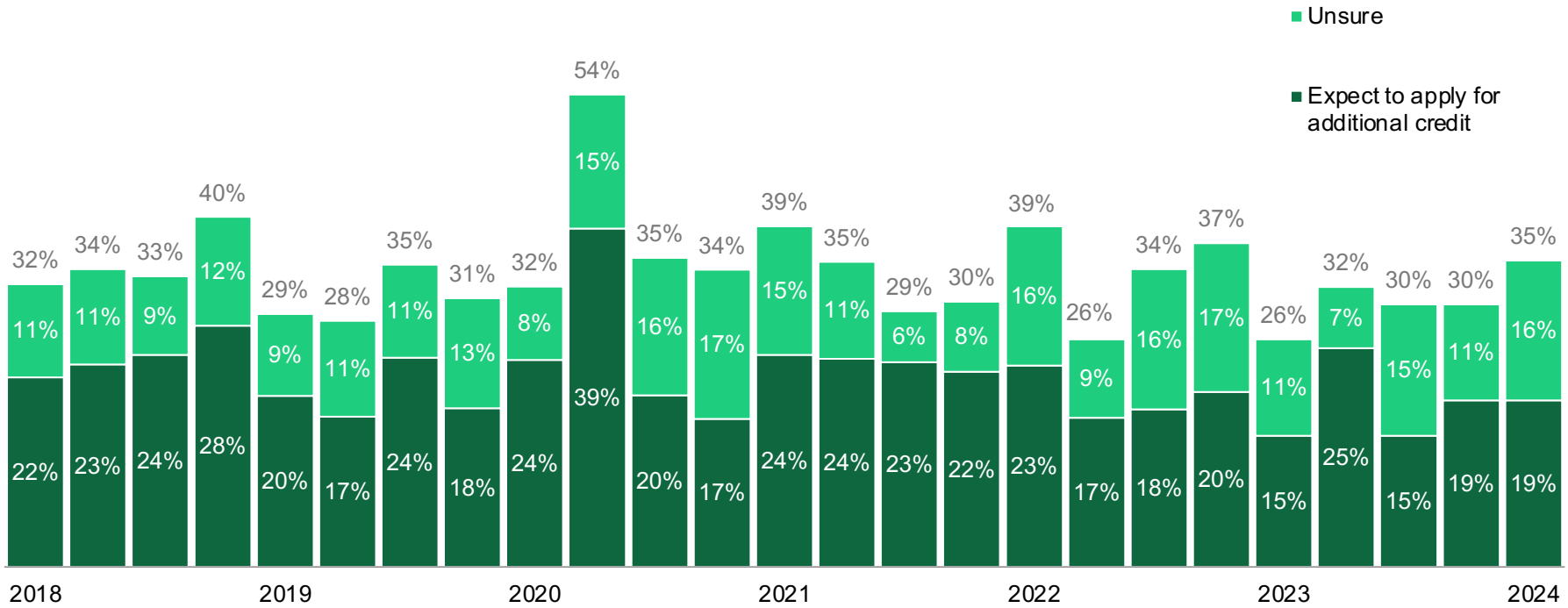
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\*Base: those that applied for additional credit \$10MM-<5000MM  
BusinessPulse 1Q2024 Data

# The percentage of middle market companies that anticipate borrowing over the next 12 months remained stable; however, more were 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 1Q2024)



# Methodology

This BusinessPulse report contains data from surveys conducted in the first quarter of 2024 by Barlow Research, involving a sample of 404 small businesses and 411 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)

**404**

Respondents  
by mail or online

**35.4%**

Response rate

**±4.88% at 95%**

Max error factor

## Fielding period

January 2 – January 25, 2024

## Middle Market

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

**411**

Respondents  
by mail or online

**36.1%**

Response rate

**±4.83% at 95%**

Max error factor

## Weighted

By geography and sales volume

35



Live Oak Bank

**BUSINESSPULSE**

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