

# BUSINESSPULSE

Second Quarter, 2022



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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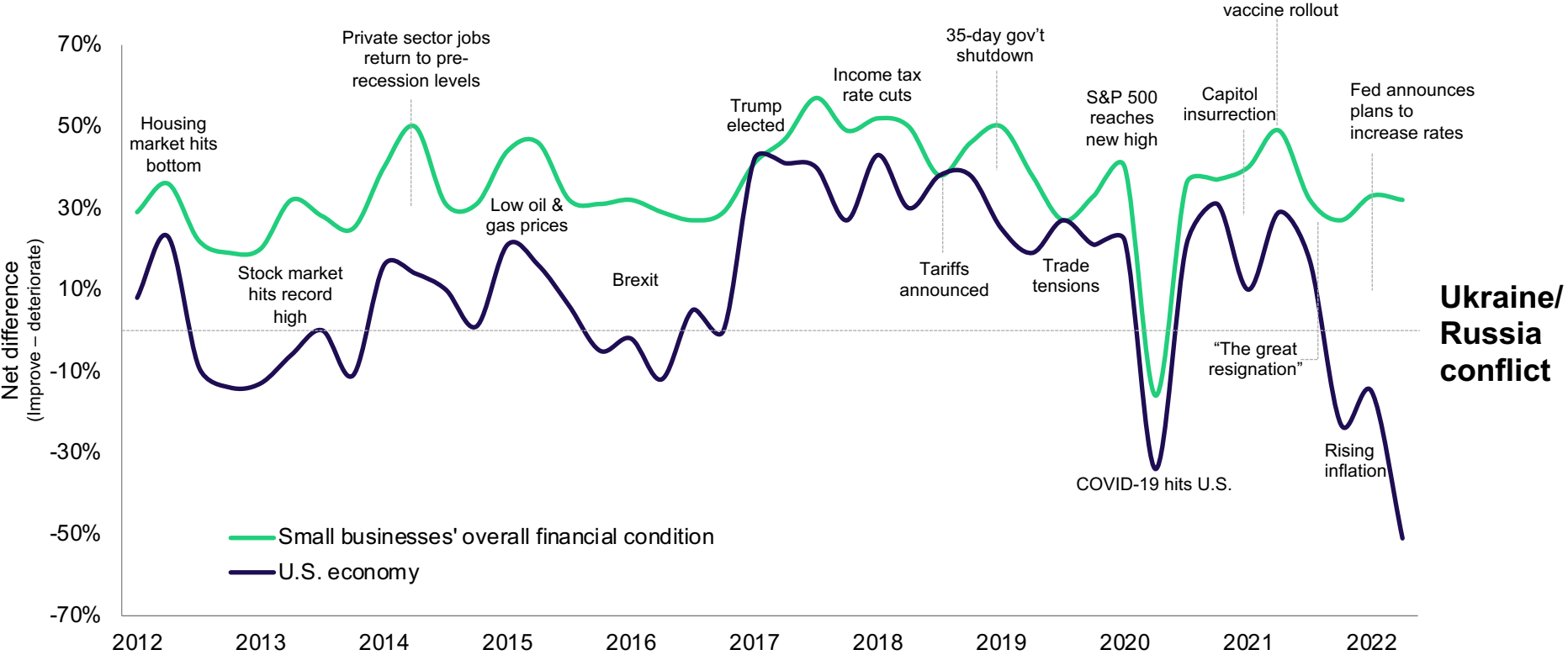
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# Small business expectations about the U.S. economy fell to their lowest point in over ten years

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

Next 12 months net difference

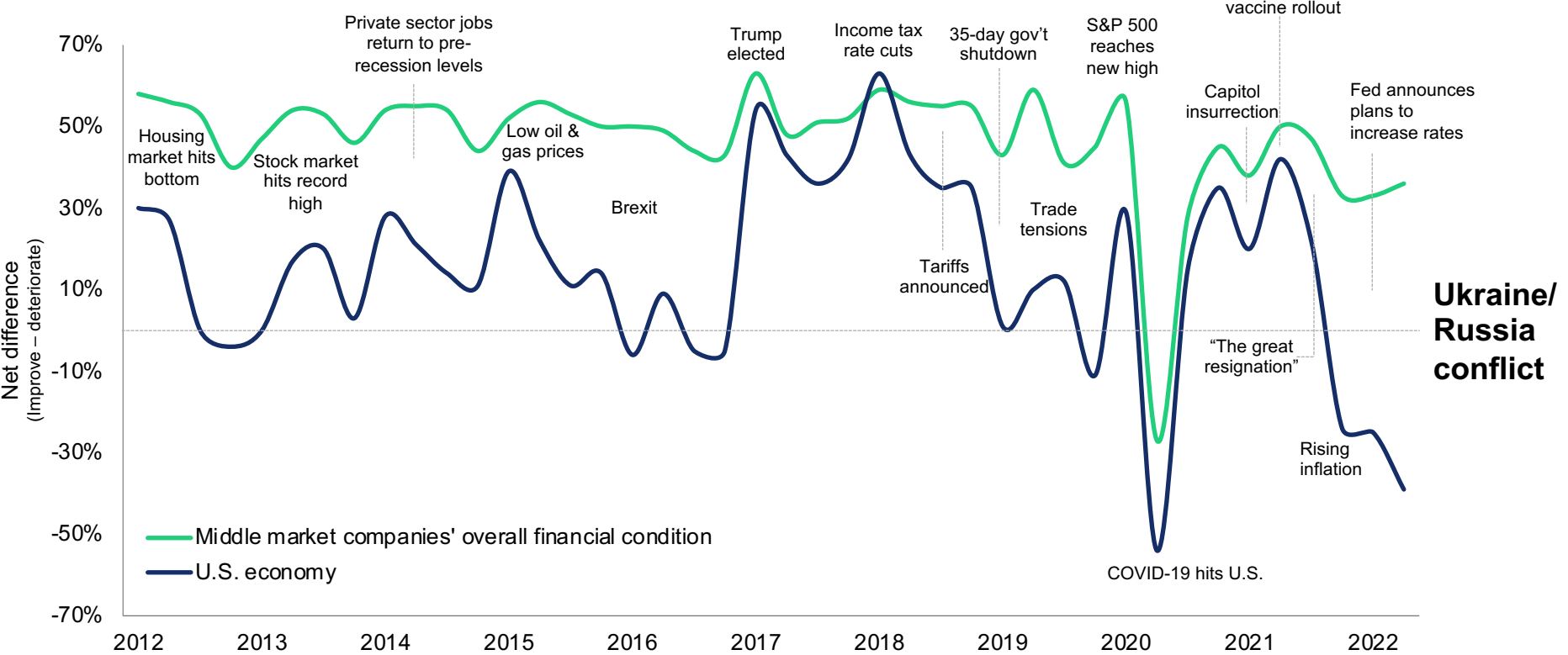


Q: During the next 12 months, do you expect your company's overall financial condition to...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Middle market companies remained pessimistic about the state of the U.S economy

## 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 2Q2022)

# Most businesses have been impacted by the Ukraine/Russia conflict

## IMPACT OF UKRAINE/RUSSIA CONFLICT

Small Business

Middle Market



Q: How, if at all, has the Russia/Ukraine conflict impacted your business?

Small Business: \$100K-\$10MM, Middle Market: \$10MM-\$500MM

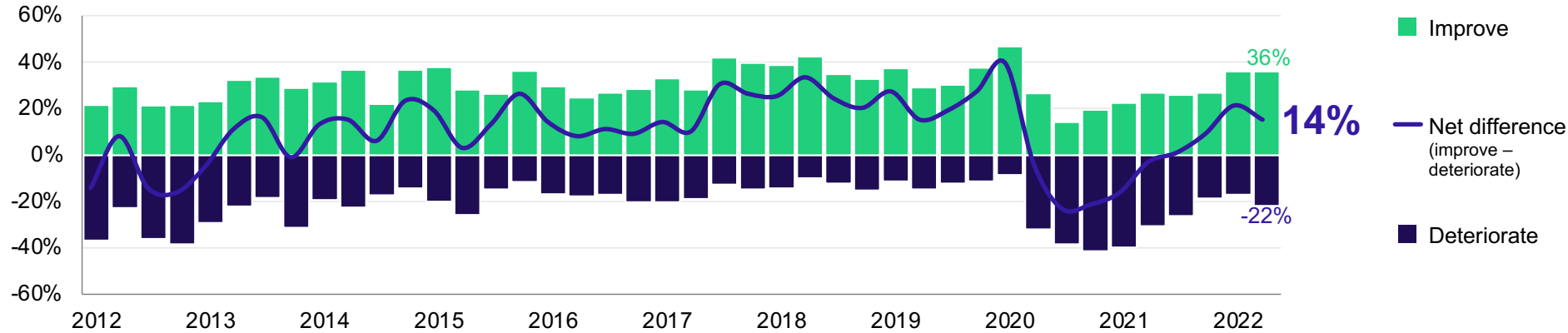
BusinessPulse 2Q2022 Data

01

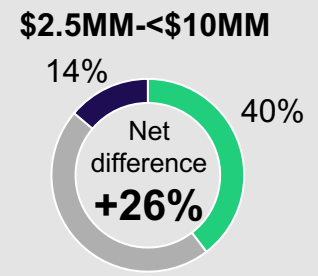
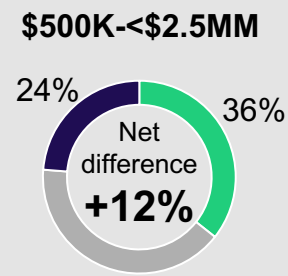
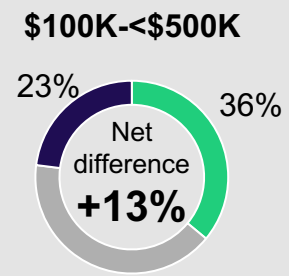
# Retrospective economic position

# Small businesses' financial conditions ticked down for the first time since the pandemic began

**SMALL BUSINESS FINANCIAL CONDITION**  
Past 12 months





















**Net difference**  
**+14%**  
-6 pts. from last quarter  
18 pts. from one year ago



Q: During the last 12 months, did your company's overall financial condition...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Although sales are up, small businesses are challenged with price increases and labor shortages

## SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
<b>Change from previous quarter</b>	  <b>8 pts.</b>	  <b>3 pts.</b>	  <b>-2 pts.</b>	  <b>-11 pts.</b>	  <b>-8 pts.</b>	  <b>0 pts.</b>
<b>Change from previous year</b>	 <b>33 pts.</b>	 <b>28 pts.</b>	 <b>20 pts.</b>	 <b>-5 pts.</b>	 <b>22 pts.</b>	 <b>13 pts.</b>

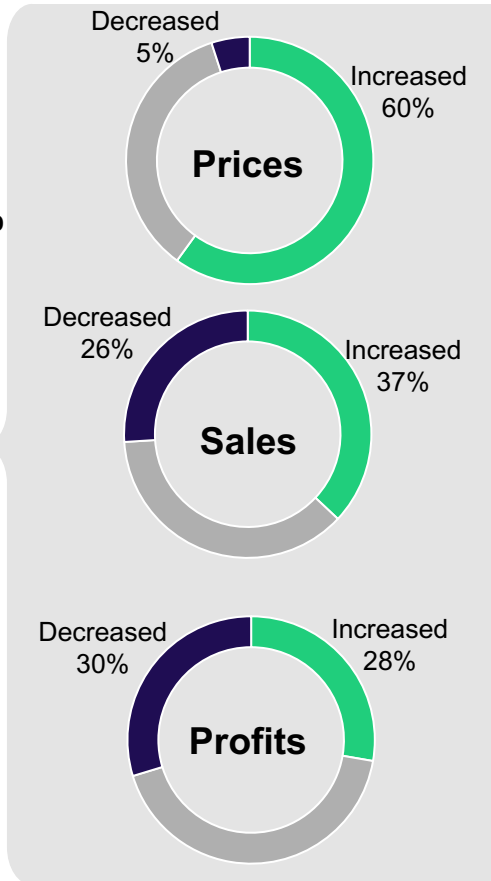
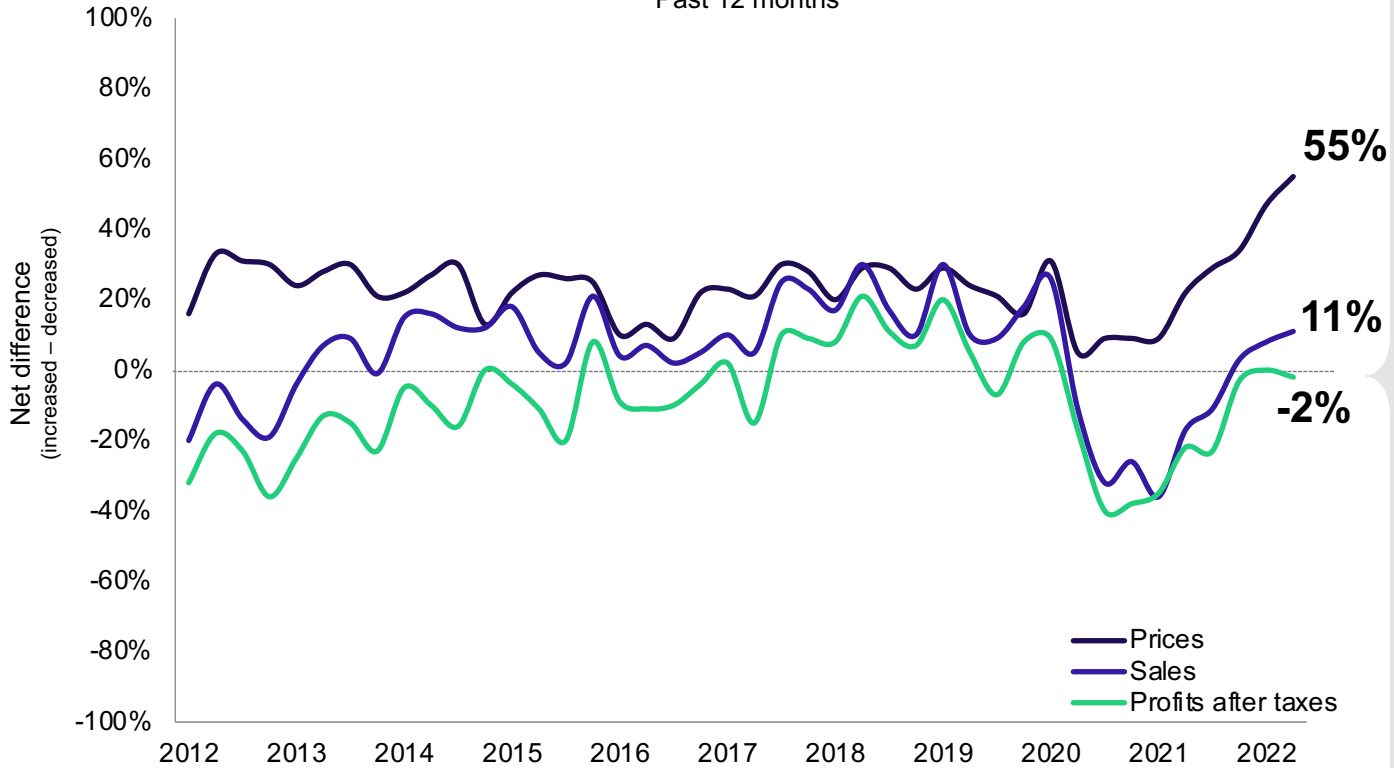
Net difference: increased – decreased

Q: During the last 12 months, did your company's overall financial condition...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Small business net difference prices continued to climb while profits level off

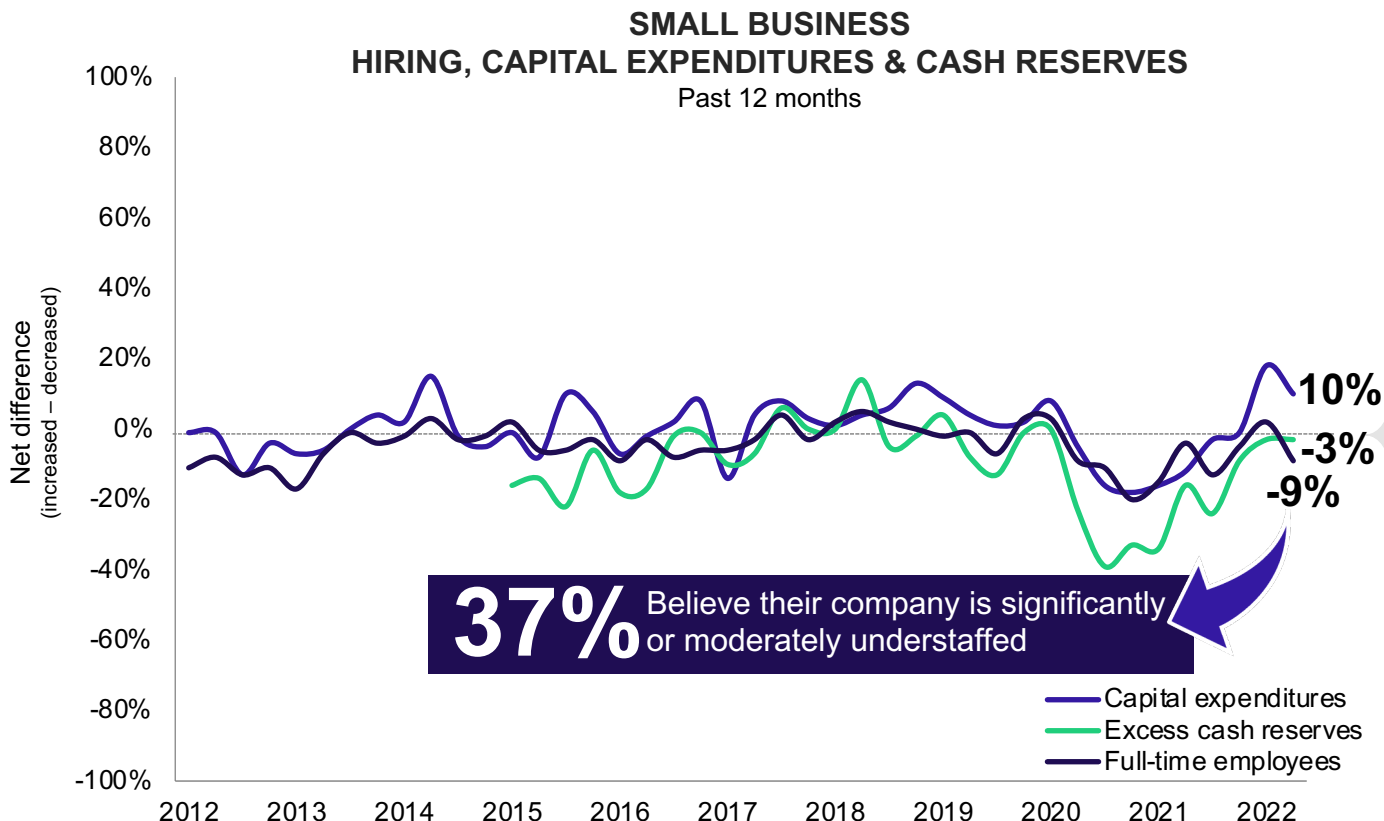
## SMALL BUSINESS PRICES, SALES & PROFITS

Past 12 months

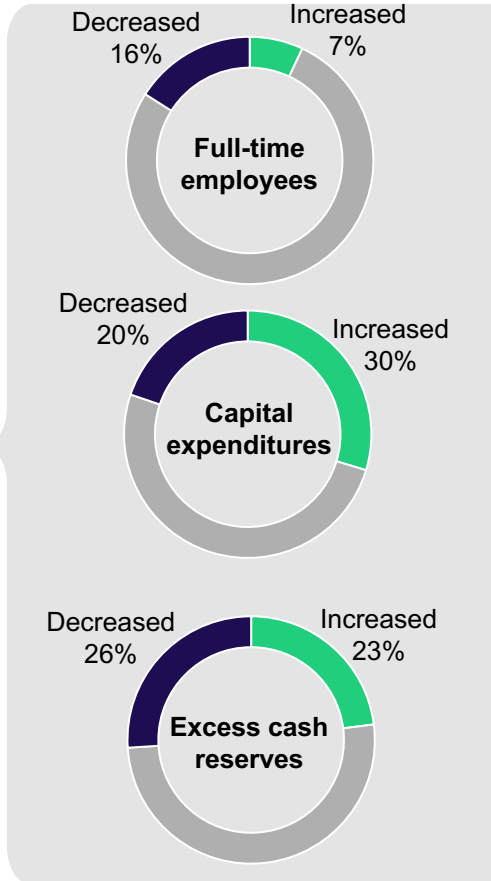


Q: During the last 12 months, did your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Small businesses' hiring slowed and over a third consider their business to be understaffed



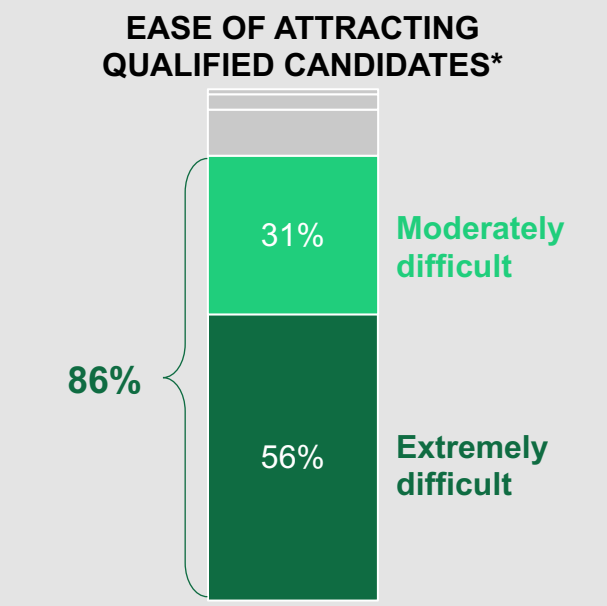
**37%** Believe their company is significantly or moderately understaffed



Q: During the last 12 months, did your company's...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Small businesses that have hired or attempted to hire have been challenged with filling vacated positions, prompting most to increase salaries/wages

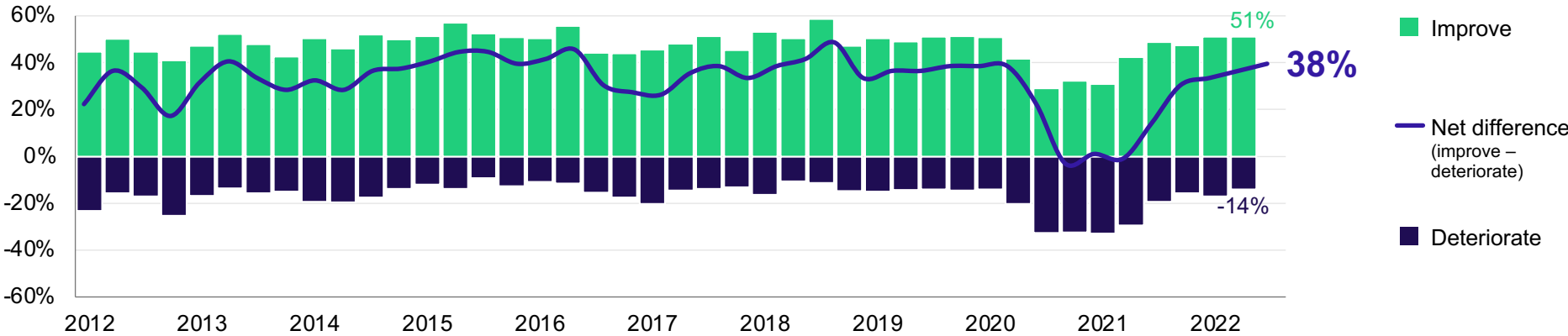
## SMALL BUSINESS HIRING: 41% Hired or attempted to hire in the past 12 months



\* Based on those that have hired or attempted to hire in the past 12 months  
 \$100K-<\$10MM  
 BusinessPulse 2Q2022 Data

# The financial conditions of middle market companies remained stable and increasingly healthy

**MIDDLE MARKET FINANCIAL CONDITION**  
Past 12 months



**Net difference**

**+38%**

3 pts. from last quarter

25 pts. from one year ago

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

14% Deteriorate, 51% Improve

**Net difference +37%**

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

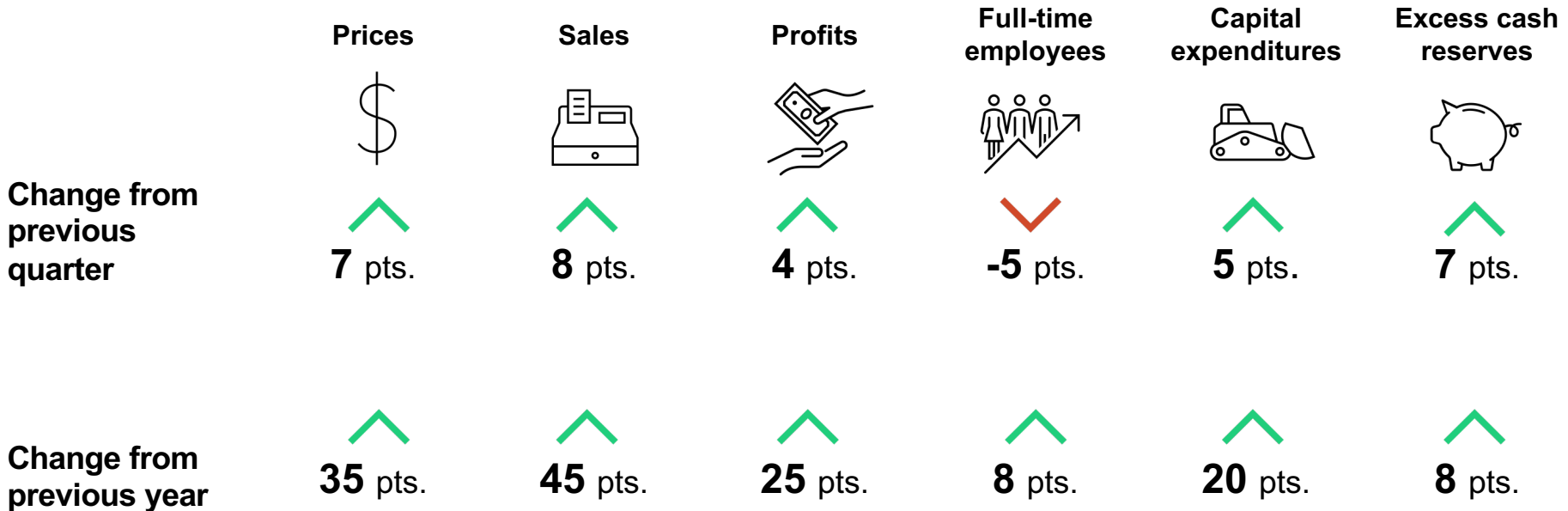
14% Deteriorate, 54% Improve

**Net difference +40%**

Q: During the last 12 months, did your company's overall financial condition...  
\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Despite increased prices, improved sales over the past year have bolstered overall confidence sentiment

## MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

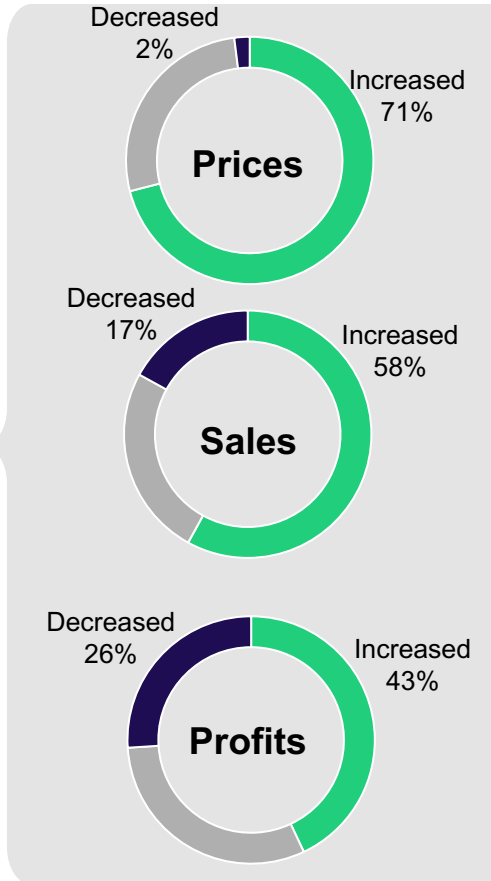
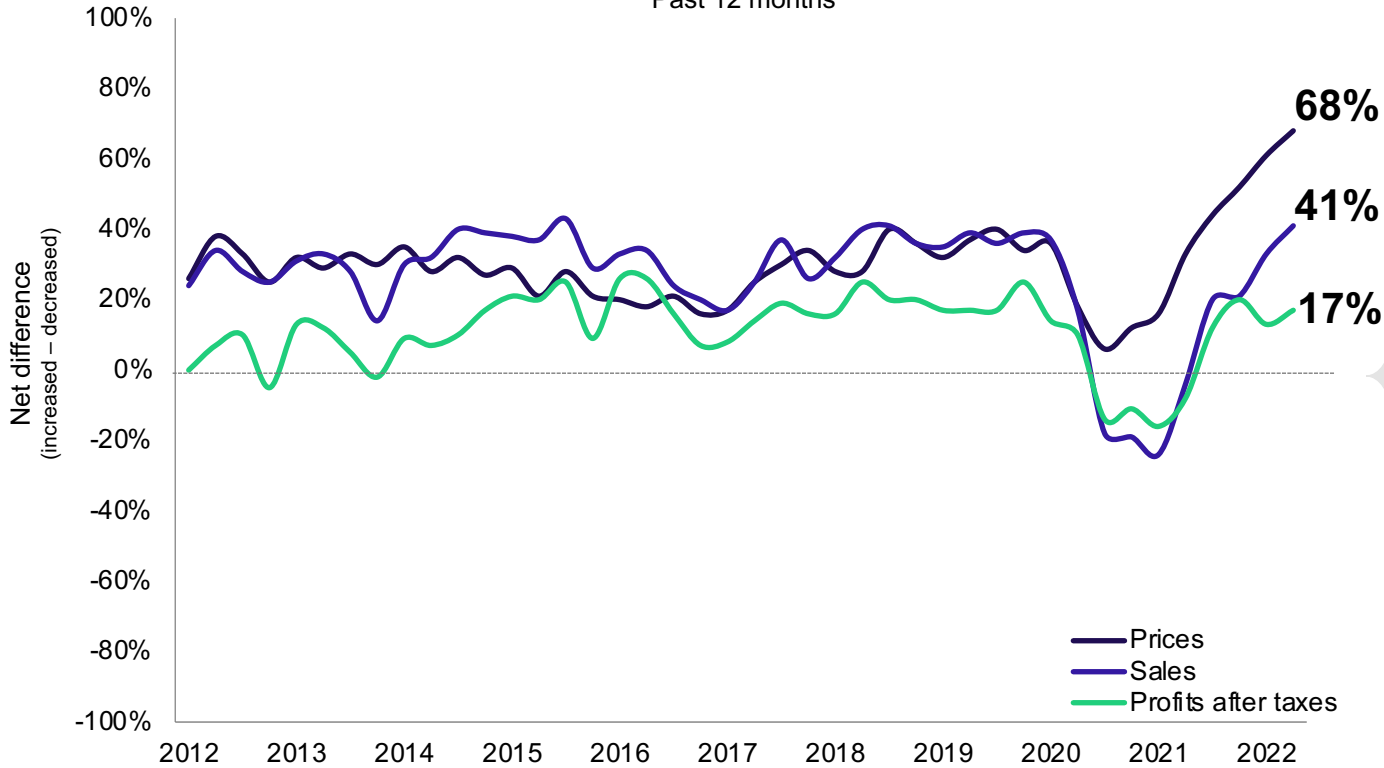


Net difference: increased – decreased

Q: During the last 12 months, did your company's overall financial condition...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

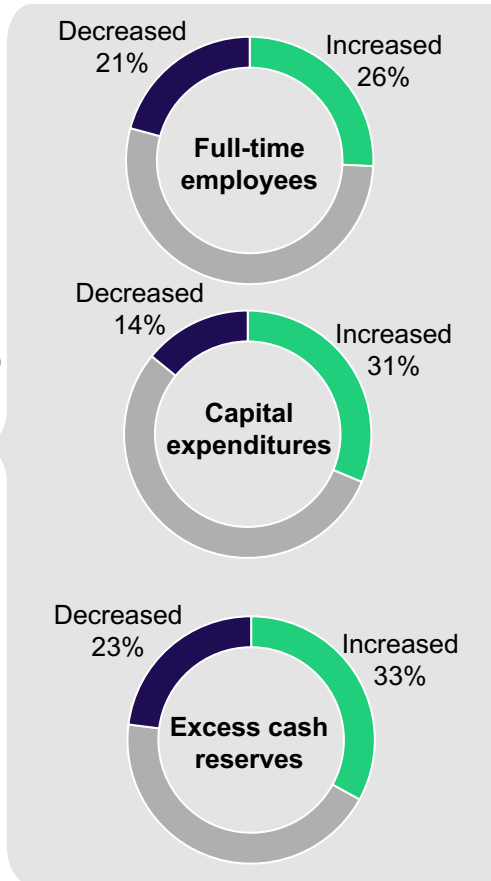
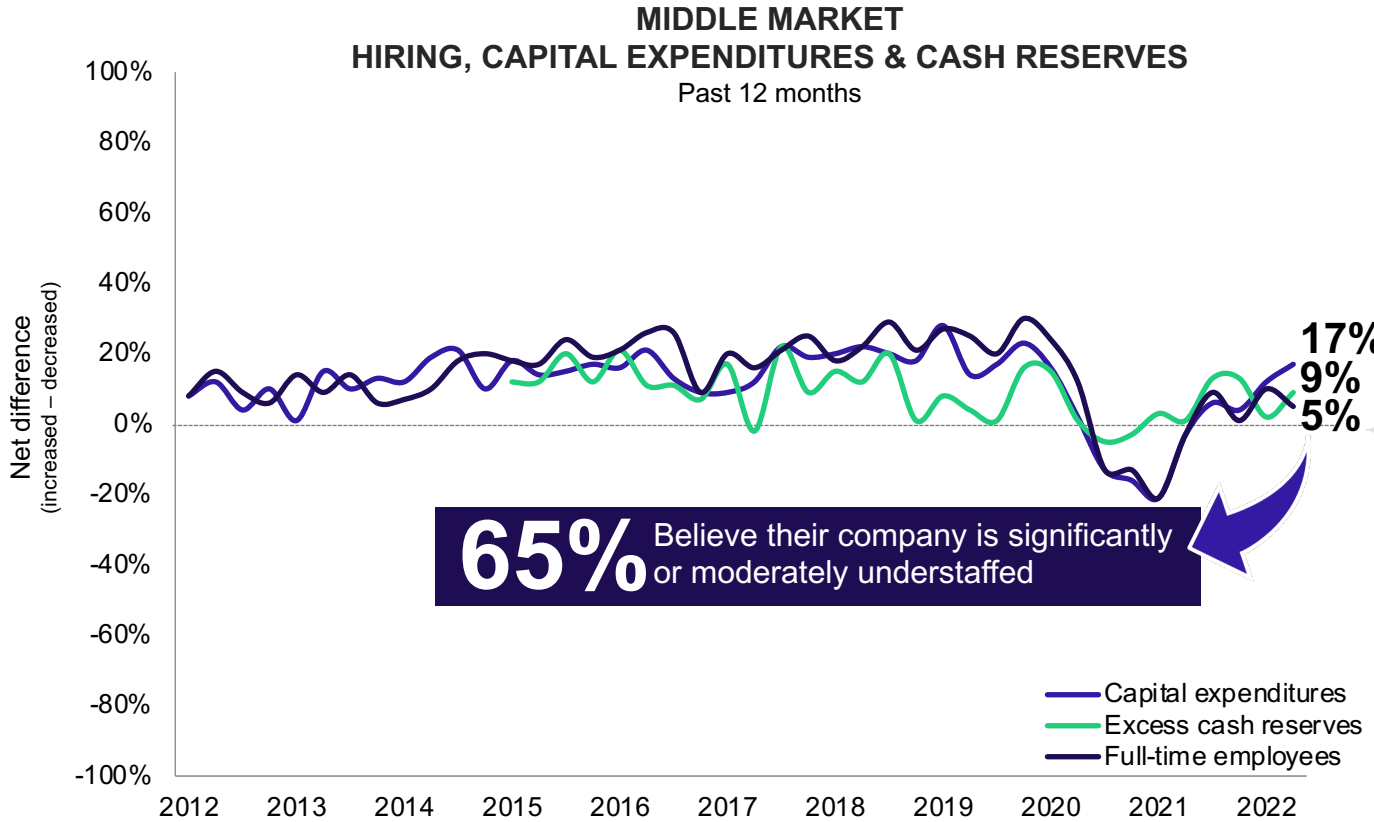
# Prices have increased at an unprecedented rate; fortunately, sales have improved at a similar pace

**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 2Q2022)

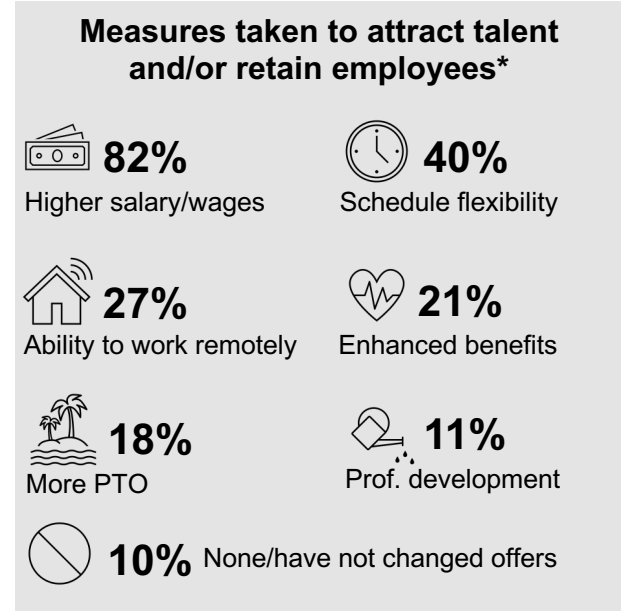
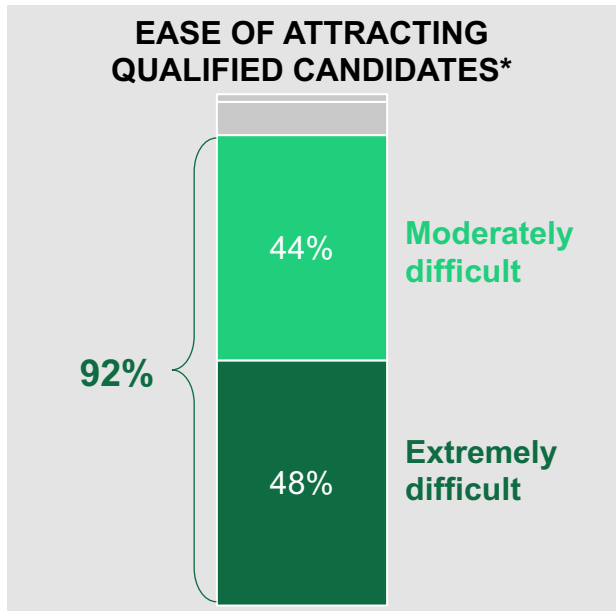
# Middle market capital expenditures have reached their highest point since the pandemic began; yet hiring remained a challenge



Q: During the last 12 months, did your company's...  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Nearly all middle market companies have hired/attempted to hire in the past 12 months to fill vacated positions; finding candidates is difficult

**MIDDLE MARKET HIRING: 90%** Hired or attempted to hire in the past 12 months



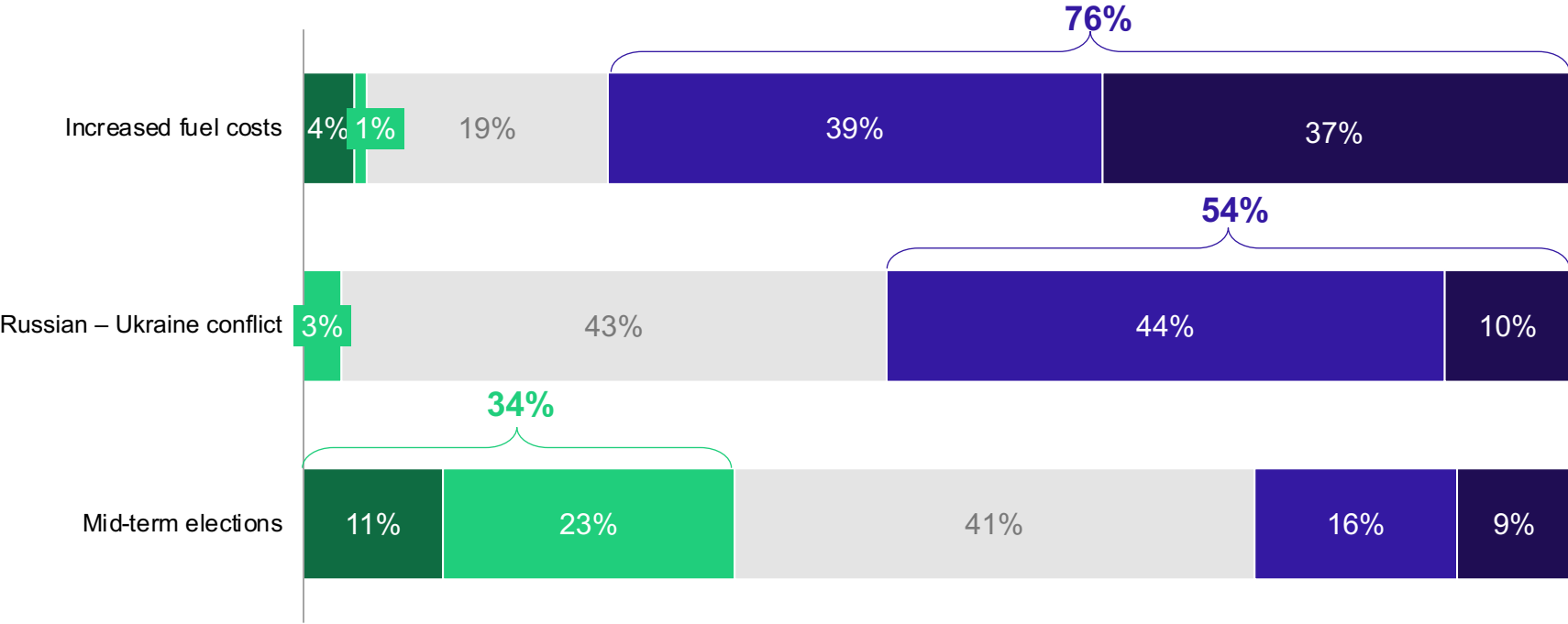
\* Based on those that have hired or attempted to hire in the past 12 months  
 \$10MM-~\$500MM  
 BusinessPulse 2Q2022 Data

02

## Expected economic position

# Increased fuel costs and the effects of the Russia/Ukraine conflict are expected to be a further detriment to small businesses over the next 12 months

## EXPECTED IMPACT OF CURRENT EVENTS SMALL BUSINESS



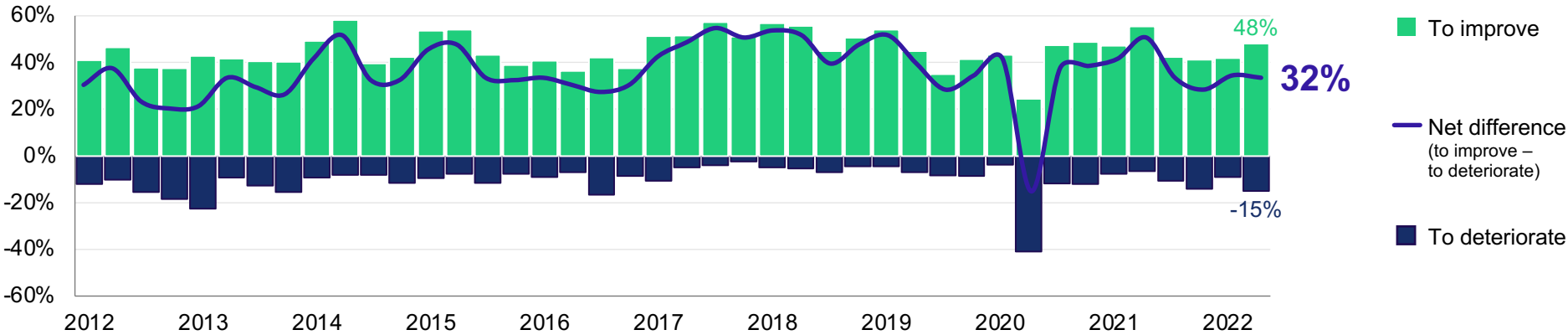
■ Significant positive impact ■ Moderate positive impact ■ Minimal/no impact ■ Moderate negative impact ■ Significant negative impact

Q: During the next 12 months, how do you expect the following to impact your company's overall financial condition?

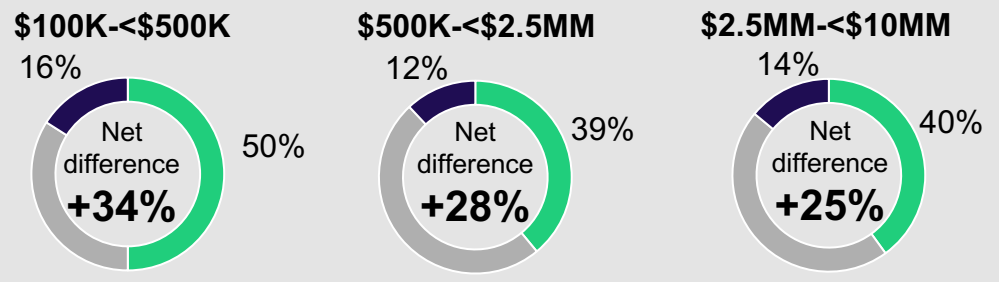
\$100K-<\$10MM  
BusinessPulse 2Q2022 Data

# Although less optimistic than one year ago, small businesses remain fairly positive about the condition of their company over the next 12 months

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



**Net difference**  
**+32%**  
-1 pts. from last quarter  
-17 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 2Q2022)

# Apart from price expectations, all small business net difference metrics have decreased from recent levels

## SMALL BUSINESS NET DIFFERENCE CHANGES

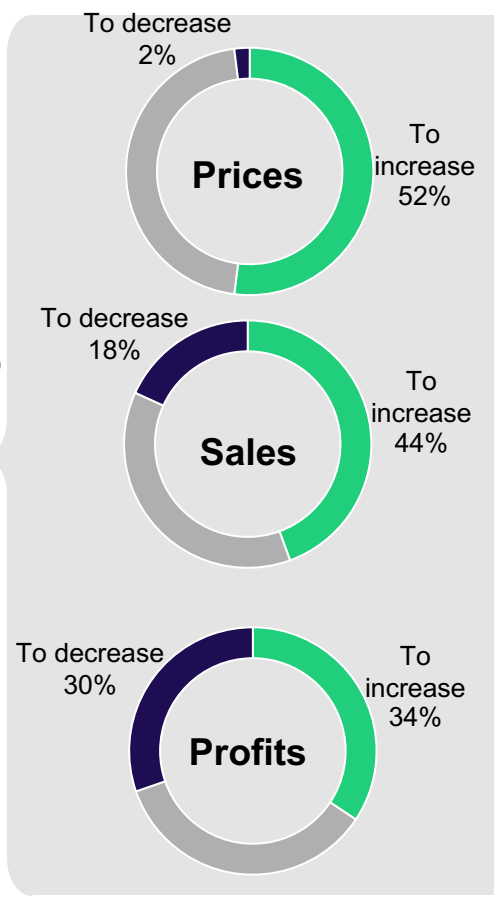
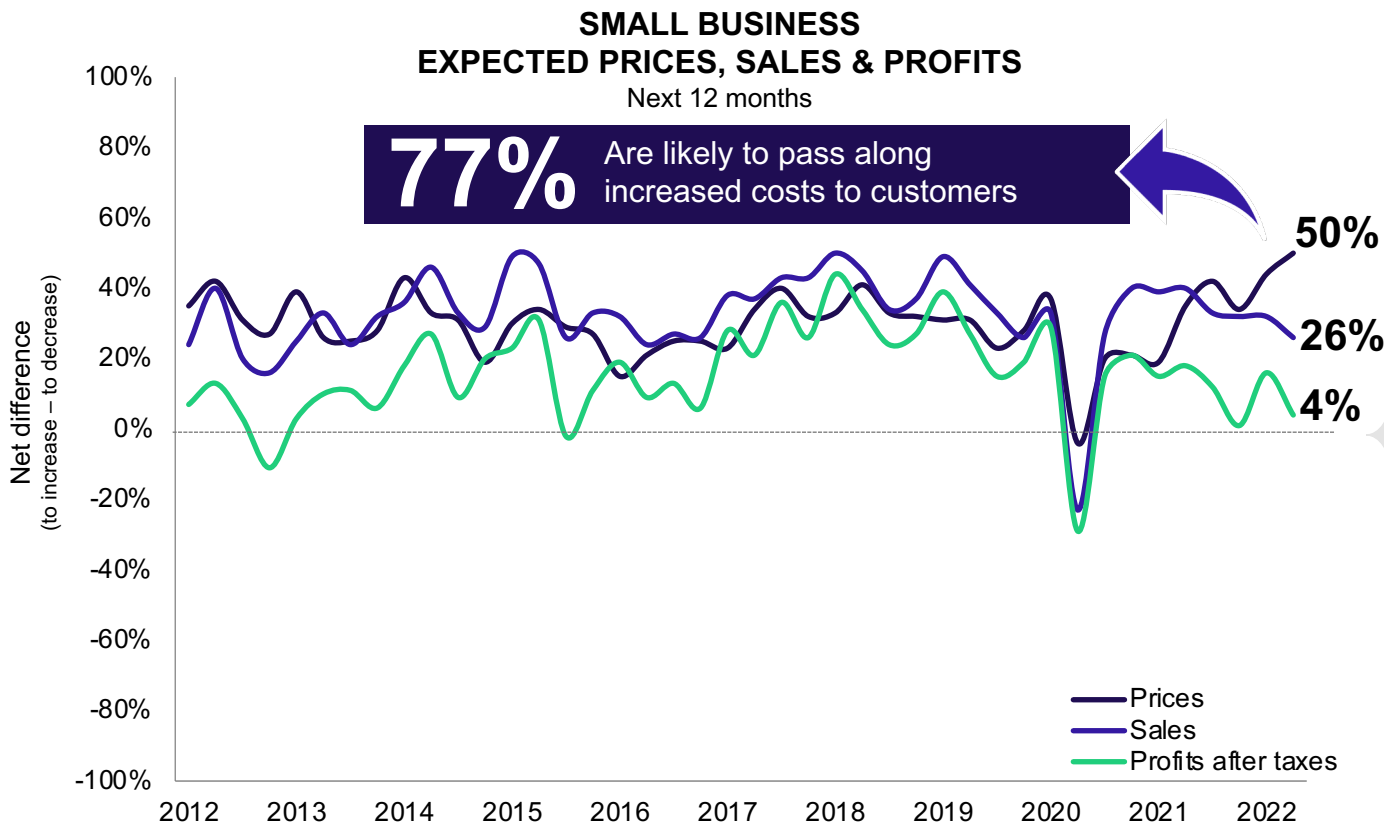
Next 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
<b>Change from previous quarter</b>	  <b>6 pts.</b>	  <b>-6 pts.</b>	  <b>-12 pts.</b>	  <b>-5 pts.</b>	  <b>-4 pts.</b>	  <b>-7 pts.</b>
<b>Change from previous year</b>	 <b>15 pts.</b>	 <b>-14 pts.</b>	 <b>-14 pts.</b>	 <b>-7 pts.</b>	 <b>-2 pts.</b>	 <b>-18 pts.</b>

Net difference: to increase – to decrease

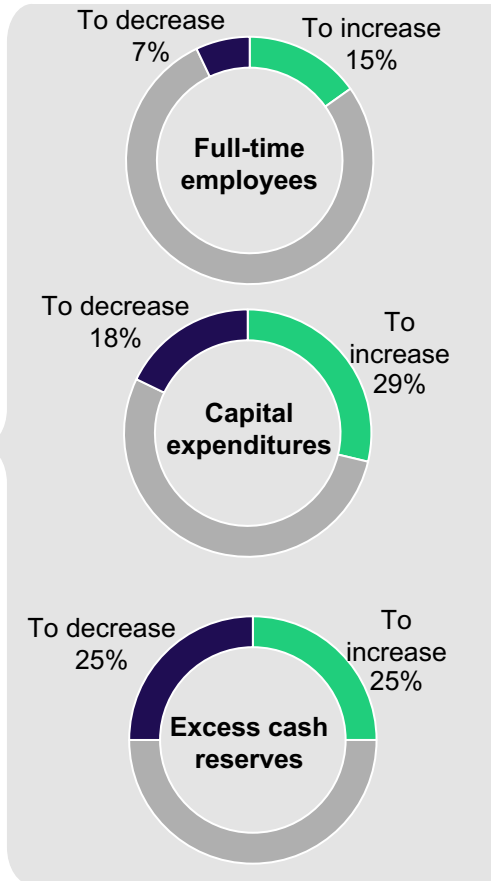
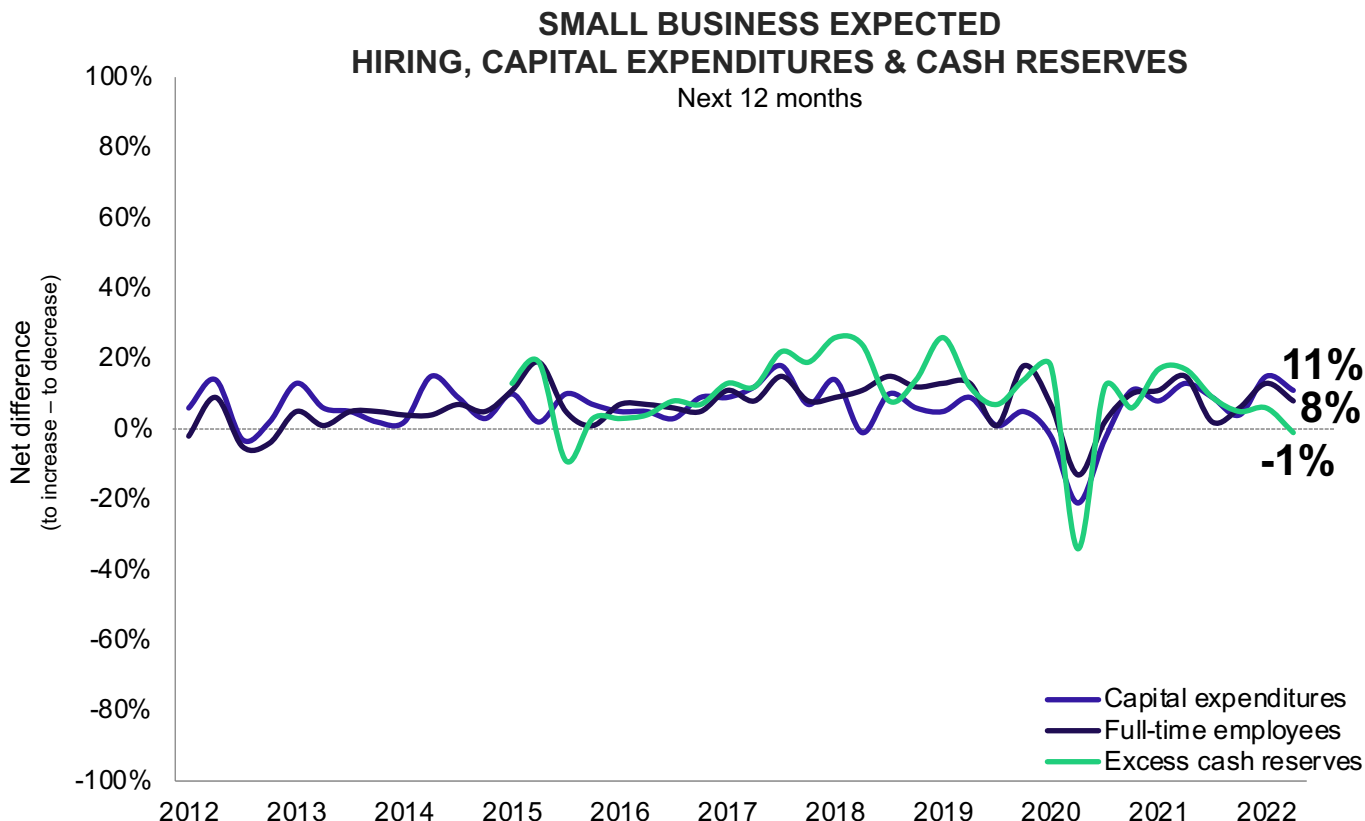
Q: During the next 12 months, do you expect your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Over half of small businesses anticipate increasing their prices over the next 12 months



Q: During the next 12 months, do you expect your company's...  
 Q: What is the likelihood that your company will pass along increased costs to your customers?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

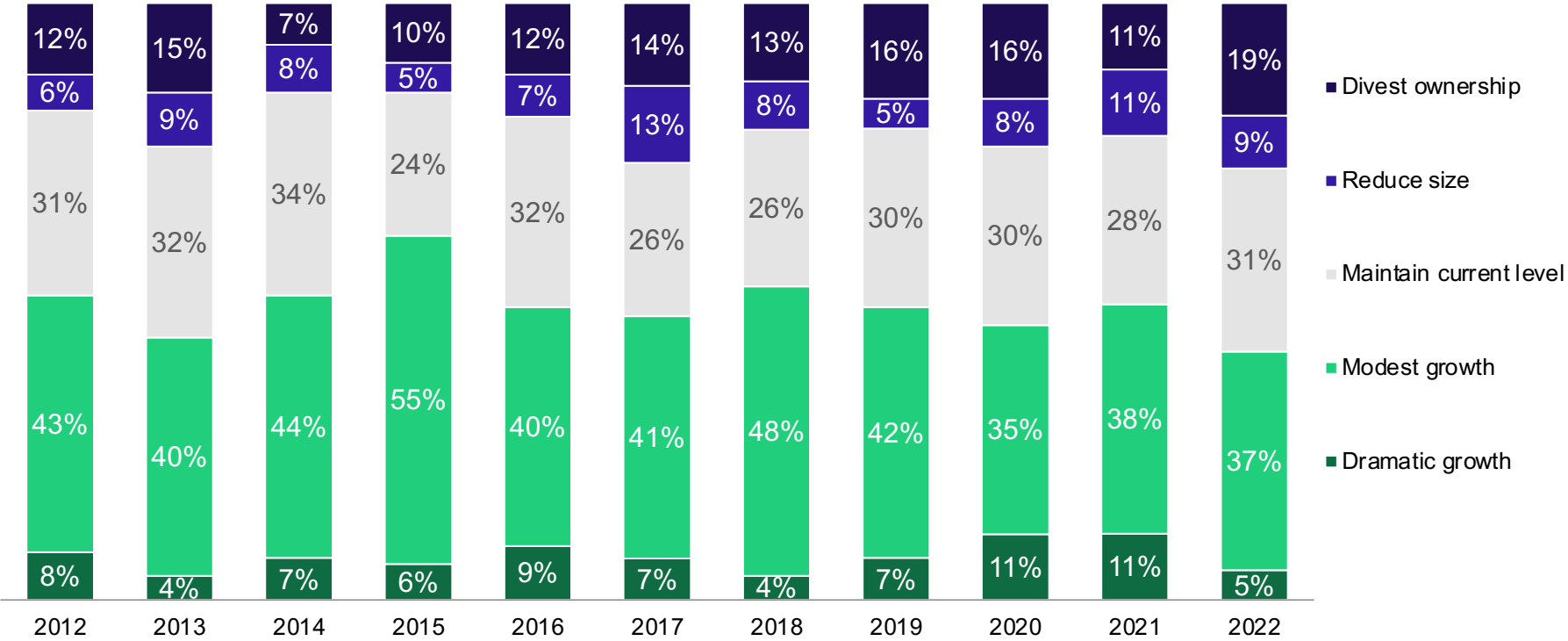
# Expectations about excess cash reserves registered a negative net difference for the first time since PPP funds have become available



Q: During the next 12 months, do you expect your company's...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Five-year expectations for growth reached their lowest point since 2012, and nearly one in five expect to divest ownership

SMALL BUSINESS FIVE-YEAR EXPECTATIONS

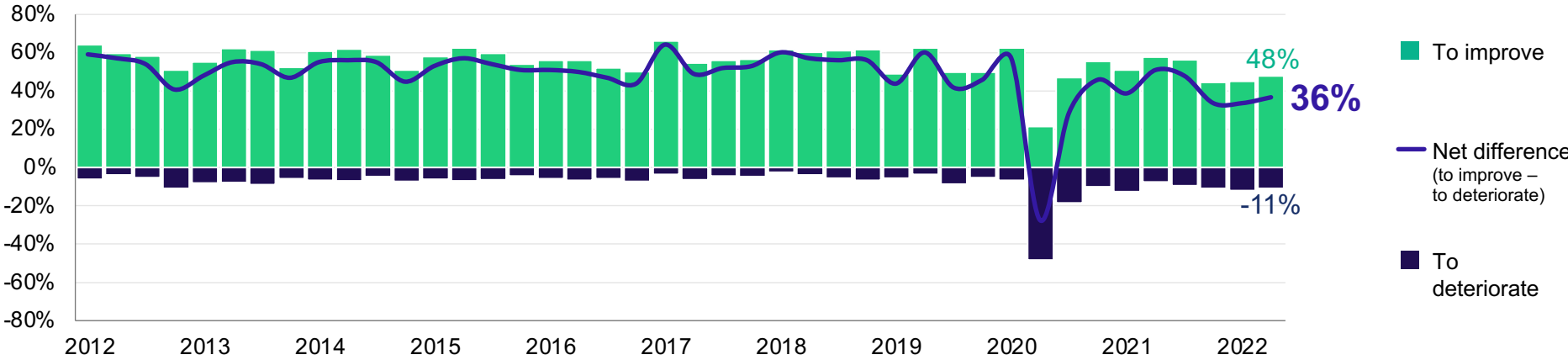


Q: During the next 5 years, what plans do you have for your business?  
 \$100K-<\$10MM  
 BusinessPulse Second Quarter Trending Data

# Expected financial condition confidence remains down from one year ago in the middle market

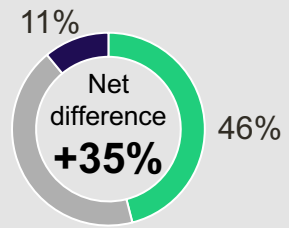
## MIDDLE MARKET EXPECTED FINANCIAL CONDITION

Next 12 months

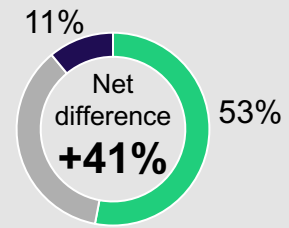


**Net difference**  
**+36%**  
 3 pts. from last quarter  
 -14 pts. from one year ago

### \$10MM-<\$50MM





















### \$50MM-<\$500MM



# Middle market profit expectations are down substantially from 2Q2021

## 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>9 pts.</b>	 <b>-1 pts.</b>	 <b>-6 pts.</b>	 <b>2 pts.</b>	 <b>2 pts.</b>	 <b>-3 pts.</b>
<b>Change from previous year</b>	 <b>17 pts.</b>	 <b>-12 pts.</b>	 <b>-21 pts.</b>	 <b>-1 pts.</b>	 <b>-12 pts.</b>	 <b>-23 pts.</b>

Net difference: to increase – to decrease

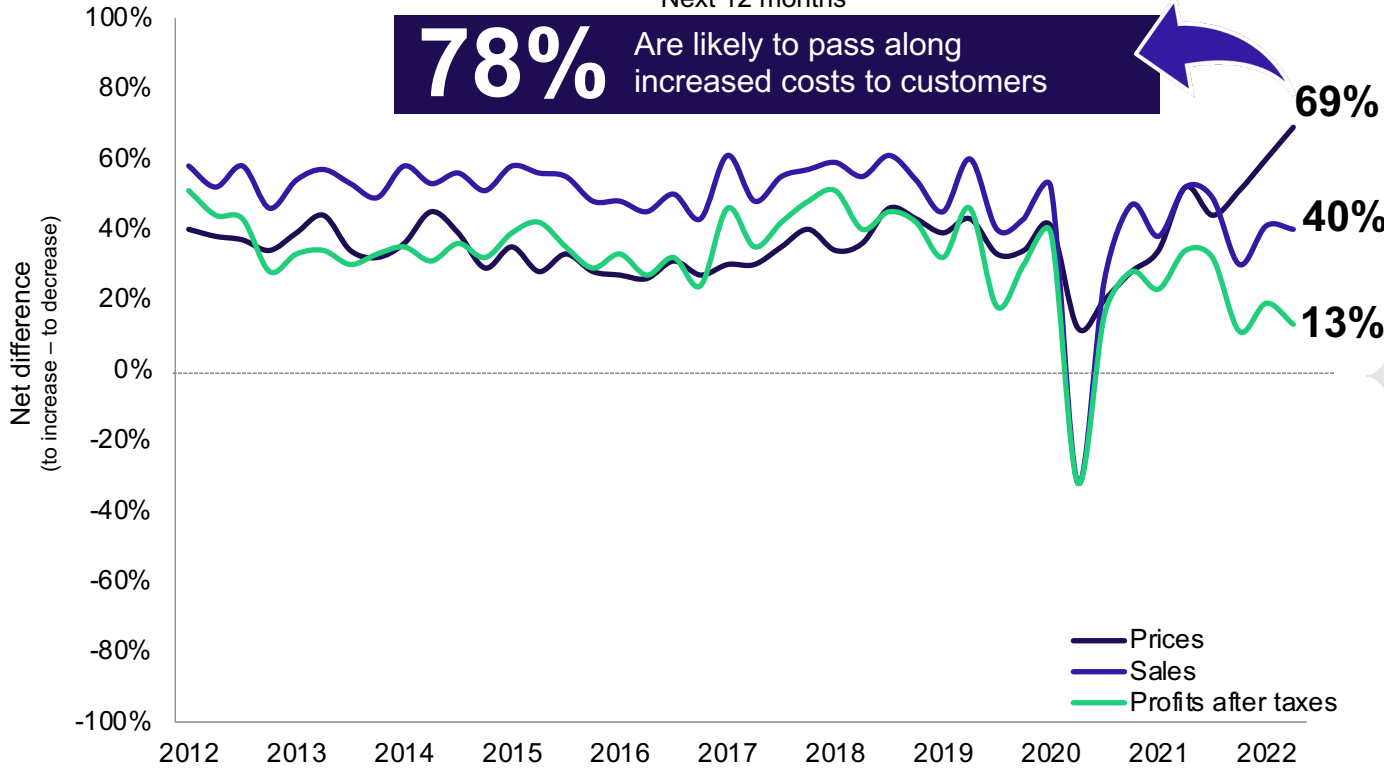
Q: During the next 12 months, do you expect your company's...  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# As price expectations climb, profits continue to trend down

## MIDDLE MARKET EXPECTED PRICES, SALES & PROFITS

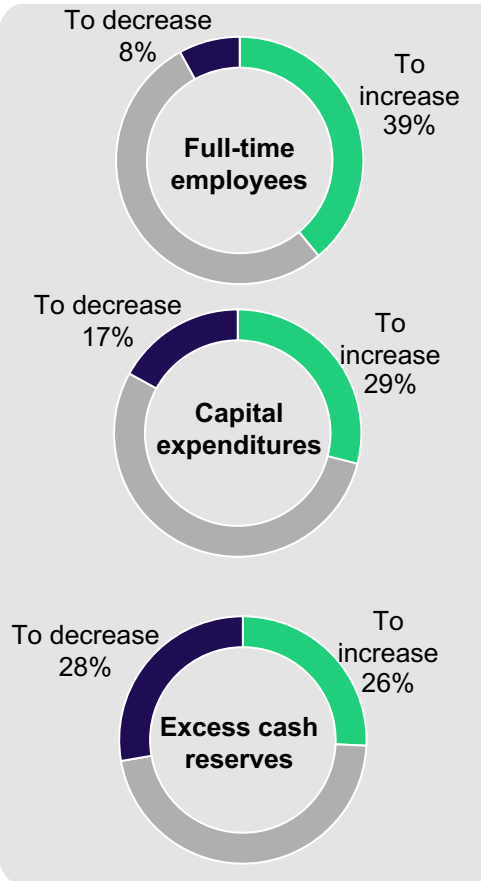
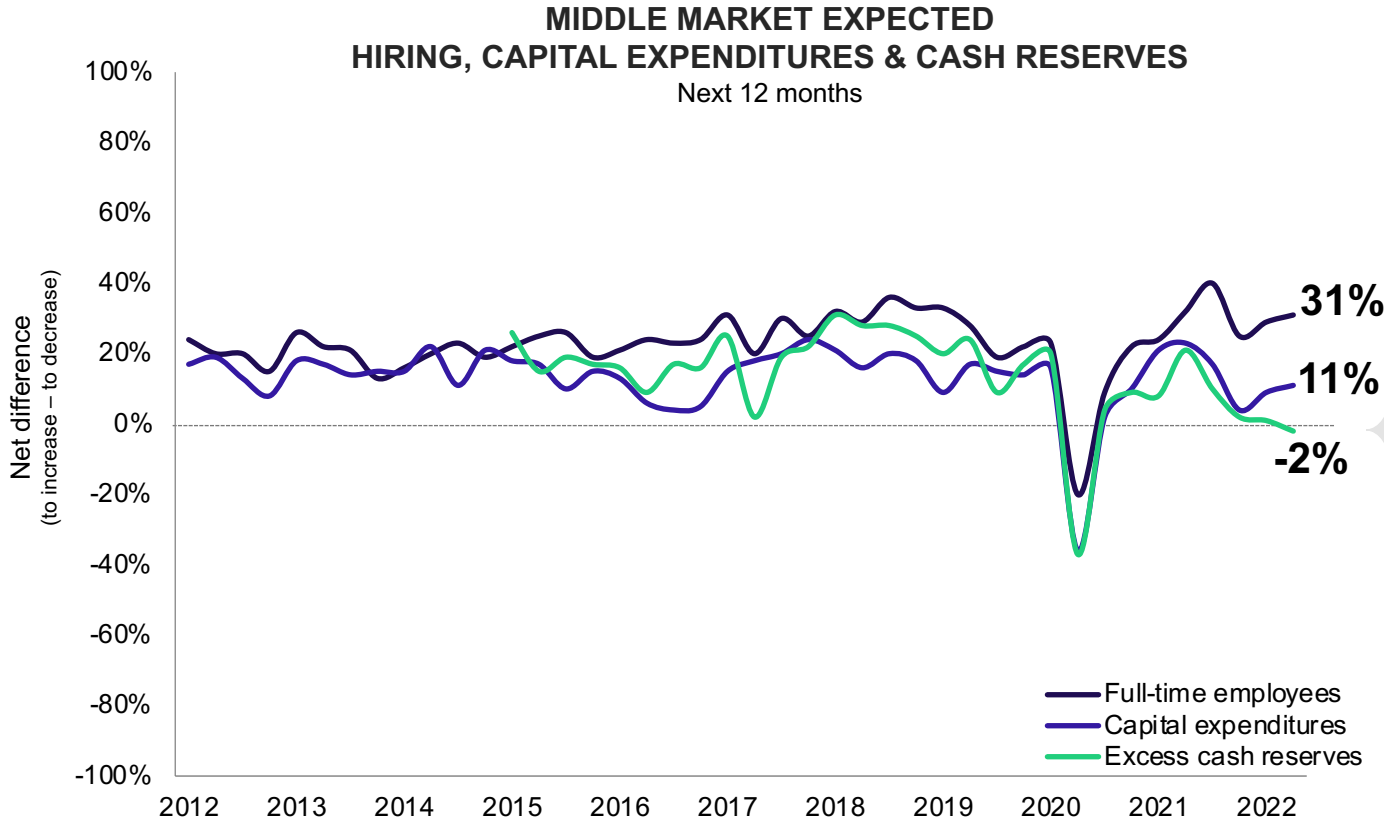
Next 12 months

**78%** Are likely to pass along increased costs to customers



Q: During the next 12 months, do you expect your company's...  
 Q: What is the likelihood that your company will pass along increased costs to your customers?  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

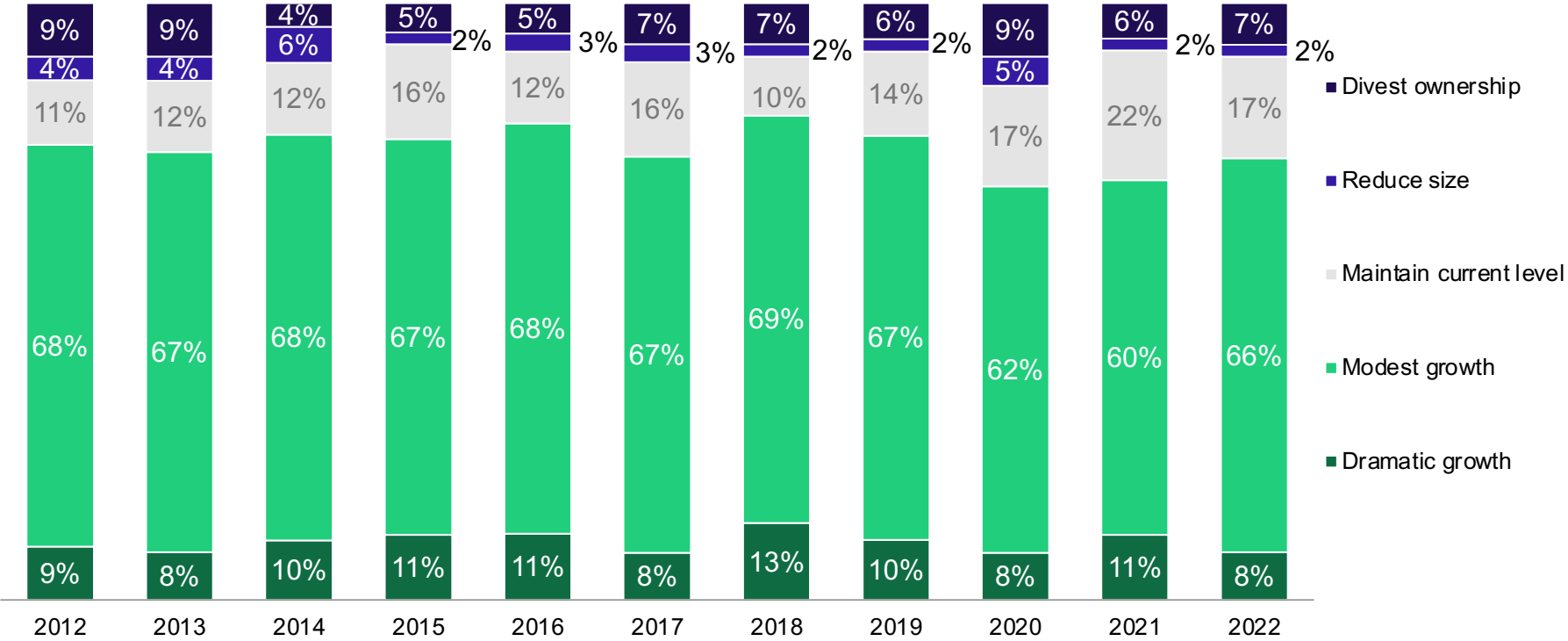
# Middle market companies continue to be more aggressive in their pursuit of increasing full-time employees



Q: During the next 12 months, do you expect your company's...  
 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Most middle market companies will sustain their long-term growth expectations

## MIDDLE MARKET FIVE-YEAR EXPECTATIONS



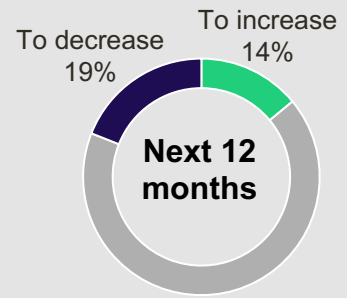
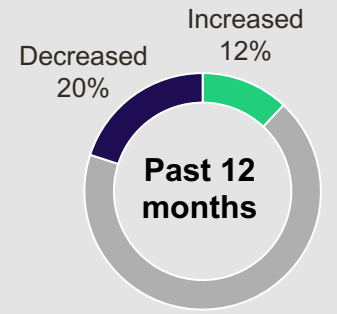
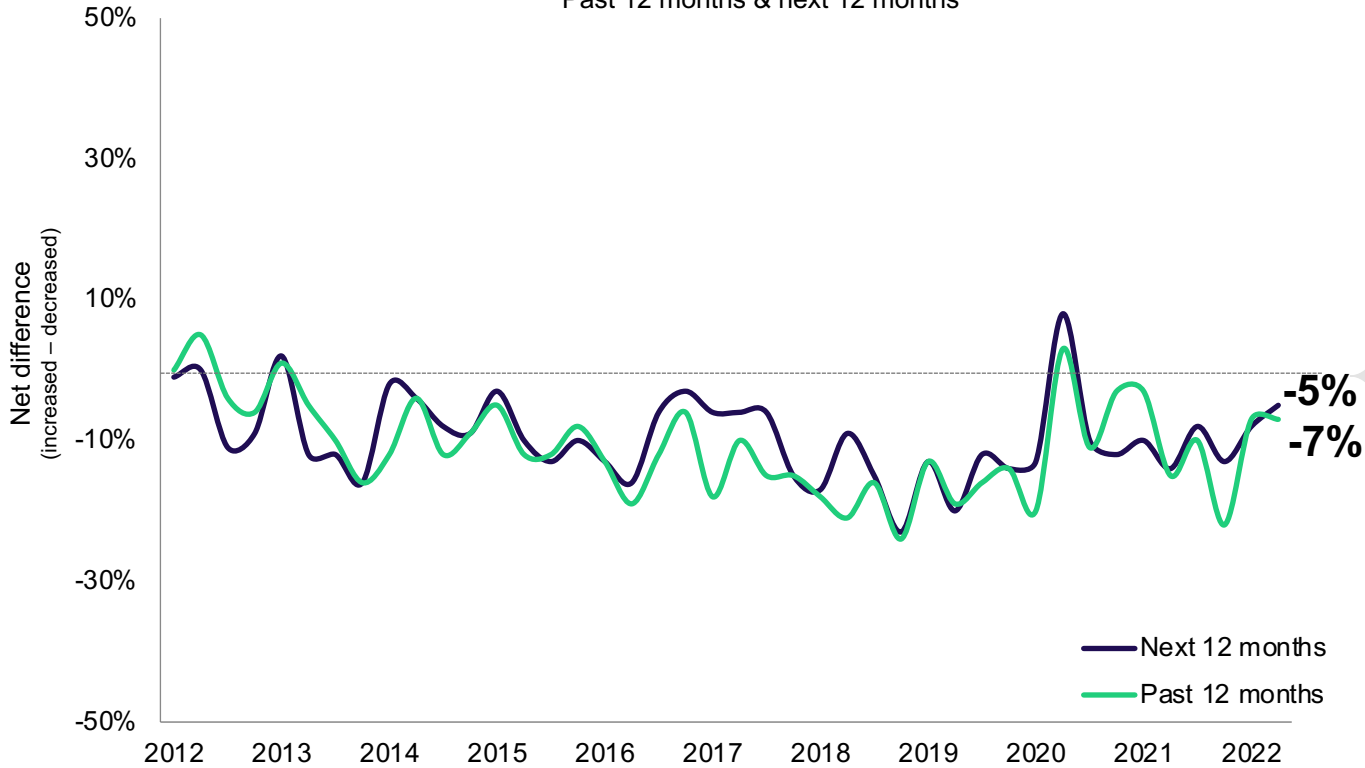
Q: During the next 5 years, what plans do you have for your business?  
 \$10MM-<\$500MM  
 BusinessPulse Second Quarter Trending Data

03

## Credit outlook

# Small businesses' expected need for bank loans ticked up but remains at a negative net difference

**SMALL BUSINESS NEED FOR BANK LOANS**  
Past 12 months & next 12 months

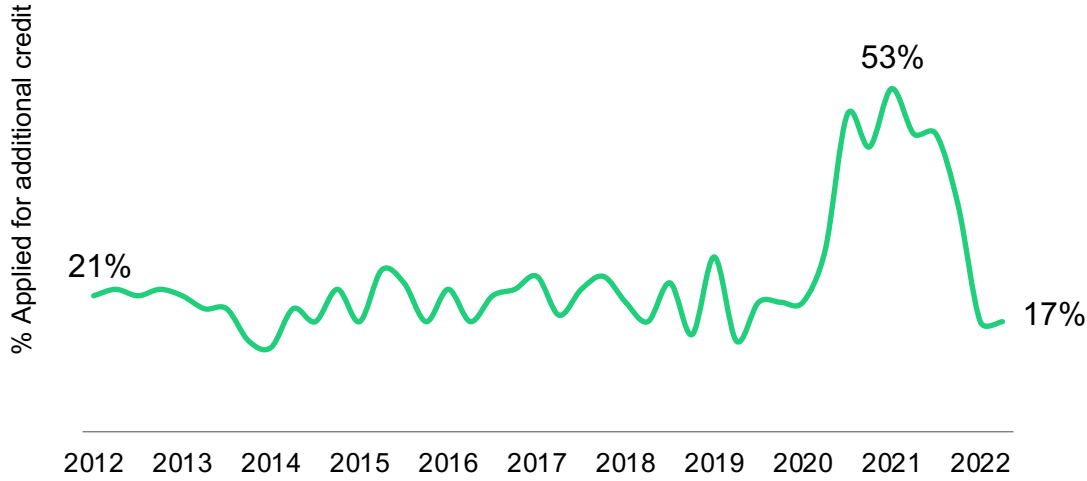


Q: During the last 12 months, did your company's need for bank loans...  
Q: During the next 12 months, do you expect your company's need for bank loans...  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

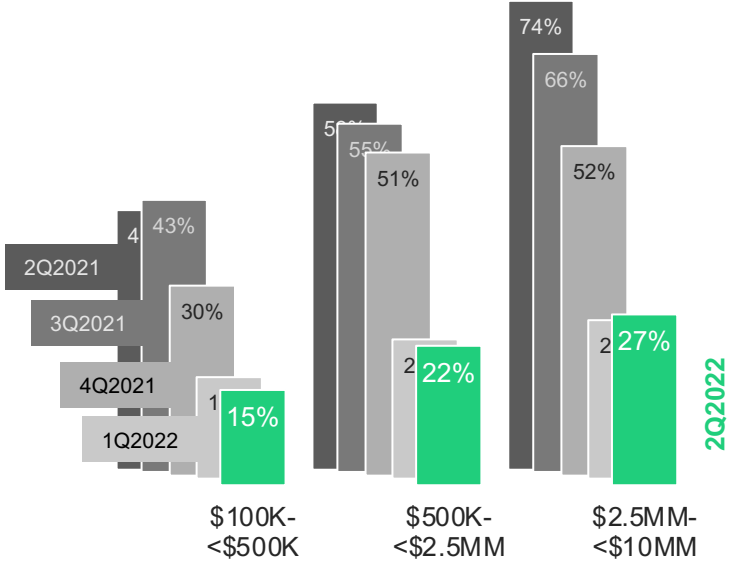
# Small business demand for additional credit was flat from 1Q22

## SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

### ADDITIONAL CREDIT APPLICATION TREND Including government relief



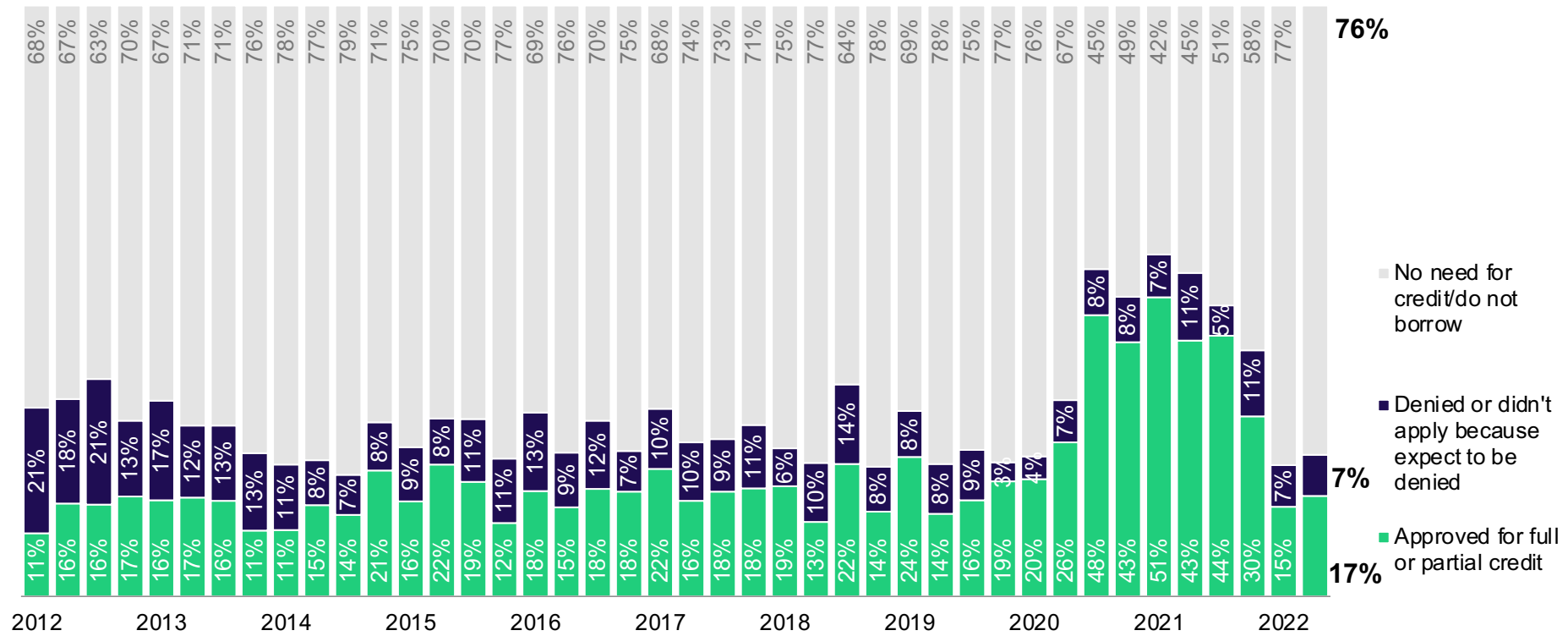
### CHANGE FROM 2Q2021



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 2Q2022)

# The proportion of small businesses without a need for additional credit or that do not borrow continued to be elevated

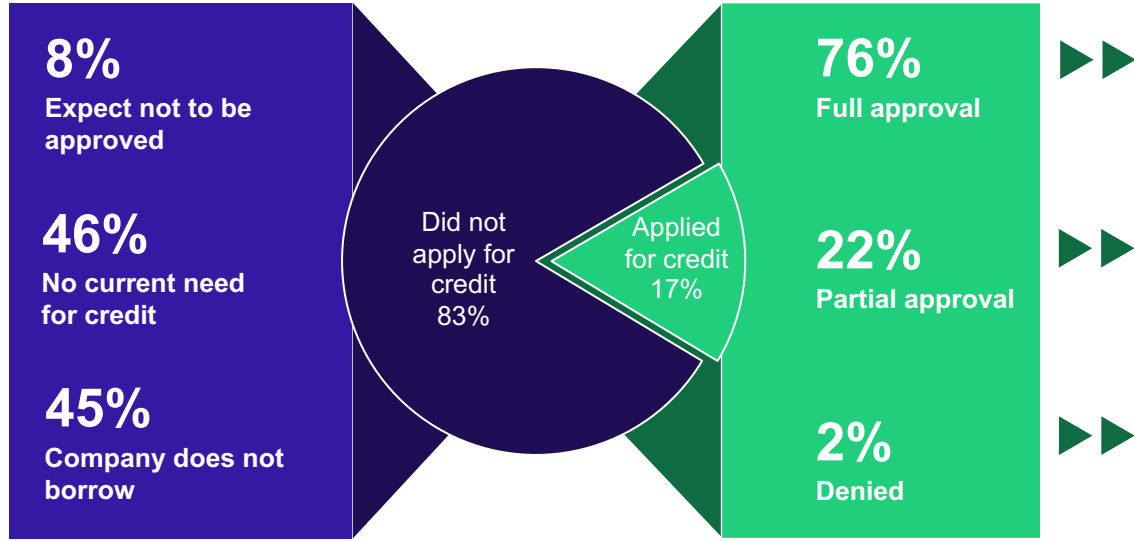
## SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT



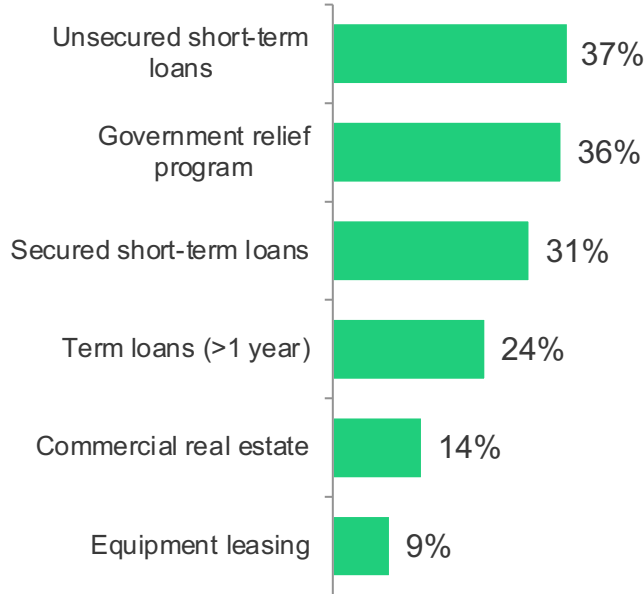
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Very few small businesses that applied for additional credit were denied

## SMALL BUSINESS CREDIT APPLICATION OUTCOME



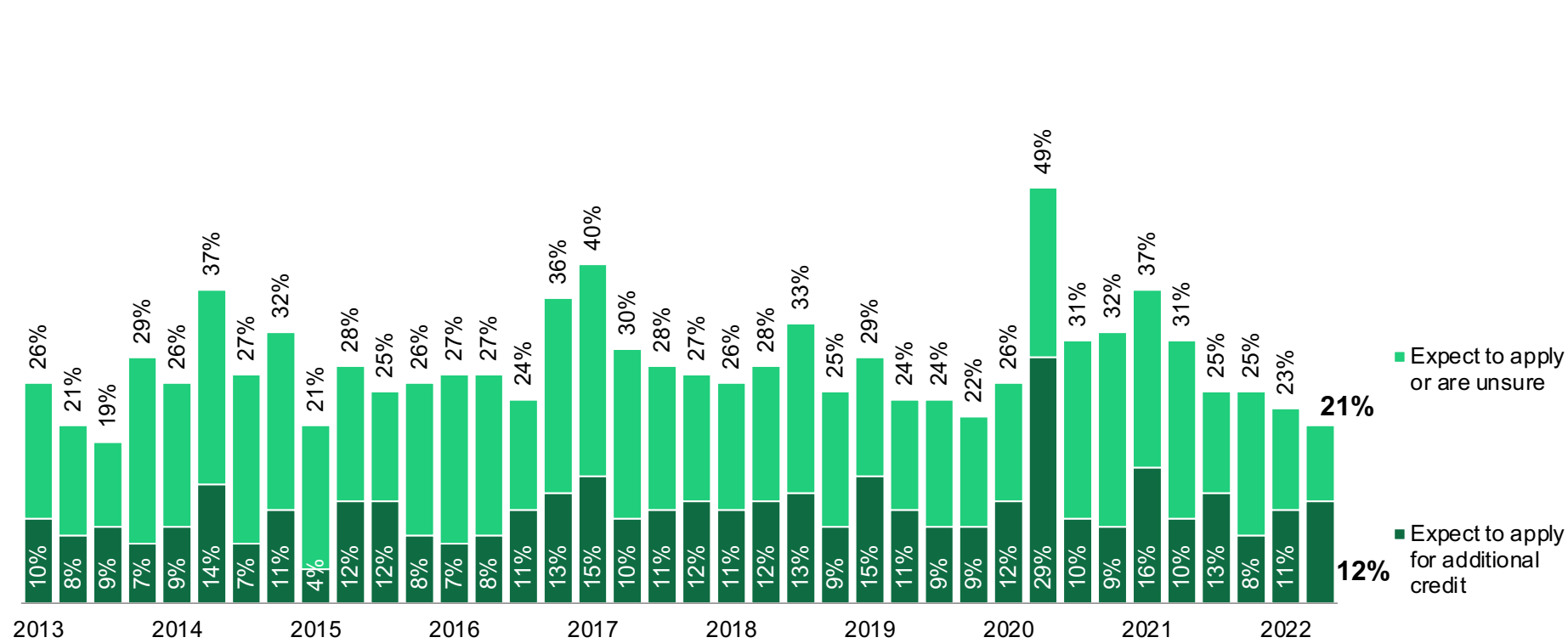
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\$100K-<\$10MM  
 \*Base: those that applied for additional credit  
 BusinessPulse 2Q2022 Data

# The percentage of small business that anticipate applying for additional credit or were unsure continued to gradually trend down

## SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT

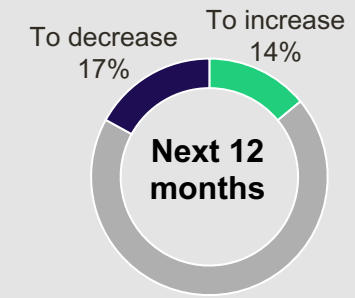
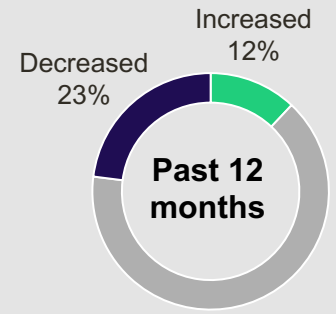
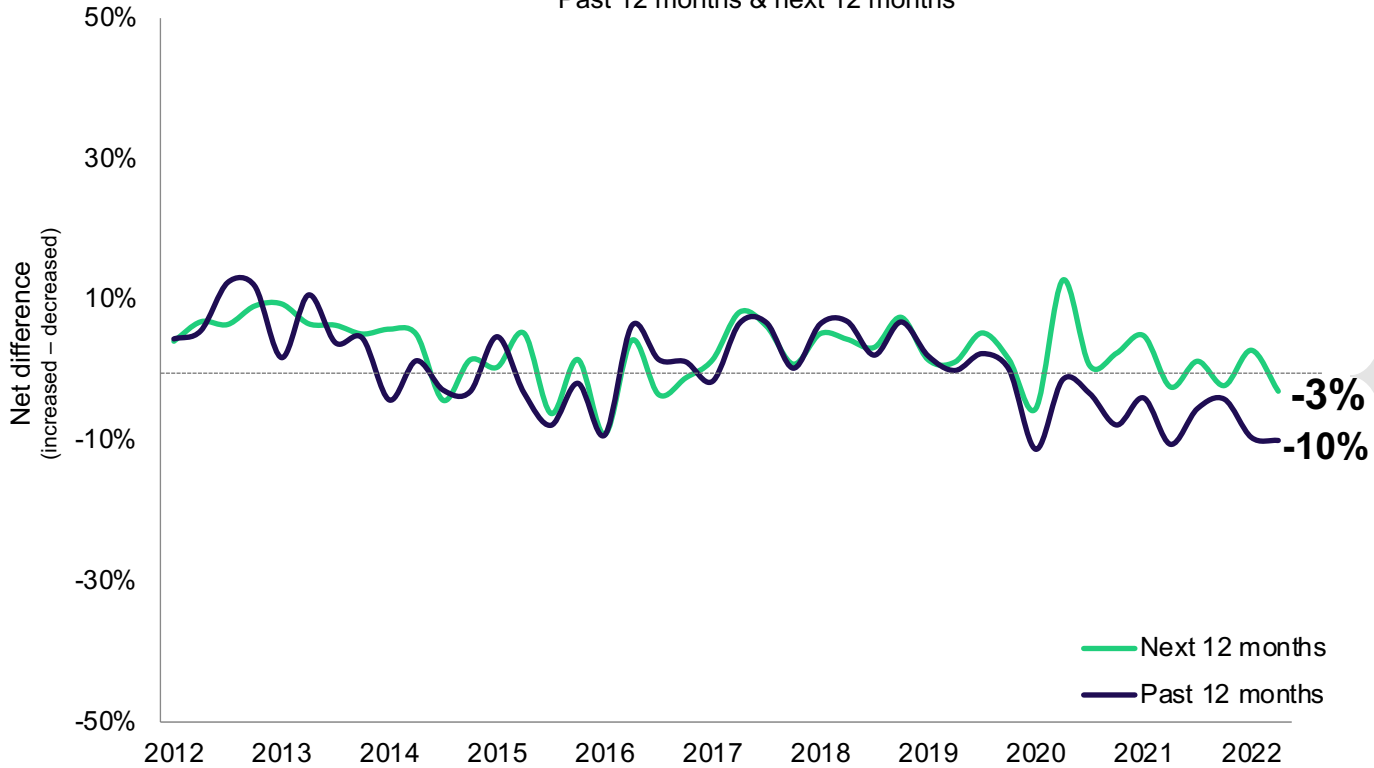


**Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Middle market companies expected need for bank loans returned to a negative net difference after an uptick in the first quarter

## MIDDLE MARKET NEED FOR BANK LOANS

Past 12 months & next 12 months

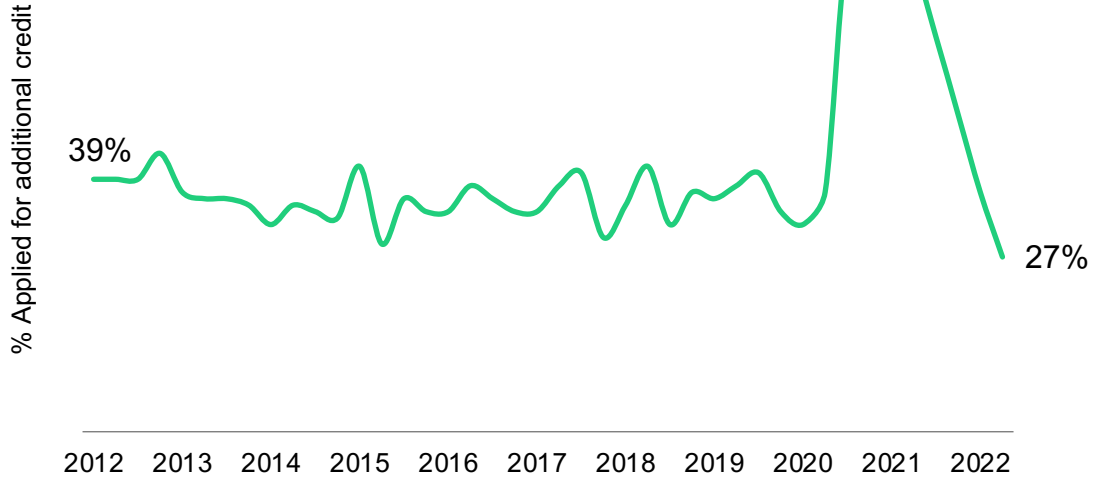


Q: During the last 12 months, did your company's need for bank loans...  
 Q: During the next 12 months, do you expect your company's need for bank loans...  
 \$10MM-\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

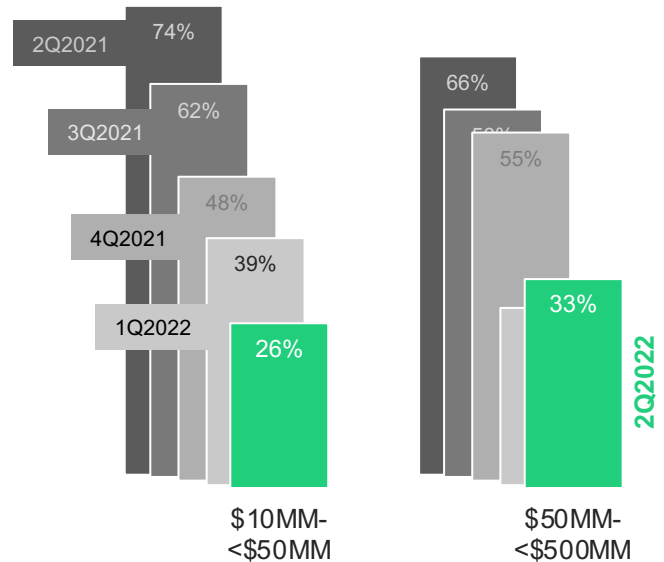
# Middle market demand for additional credit fell to its lowest point in 10 years

## MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

### ADDITIONAL CREDIT APPLICATION TREND Including government relief



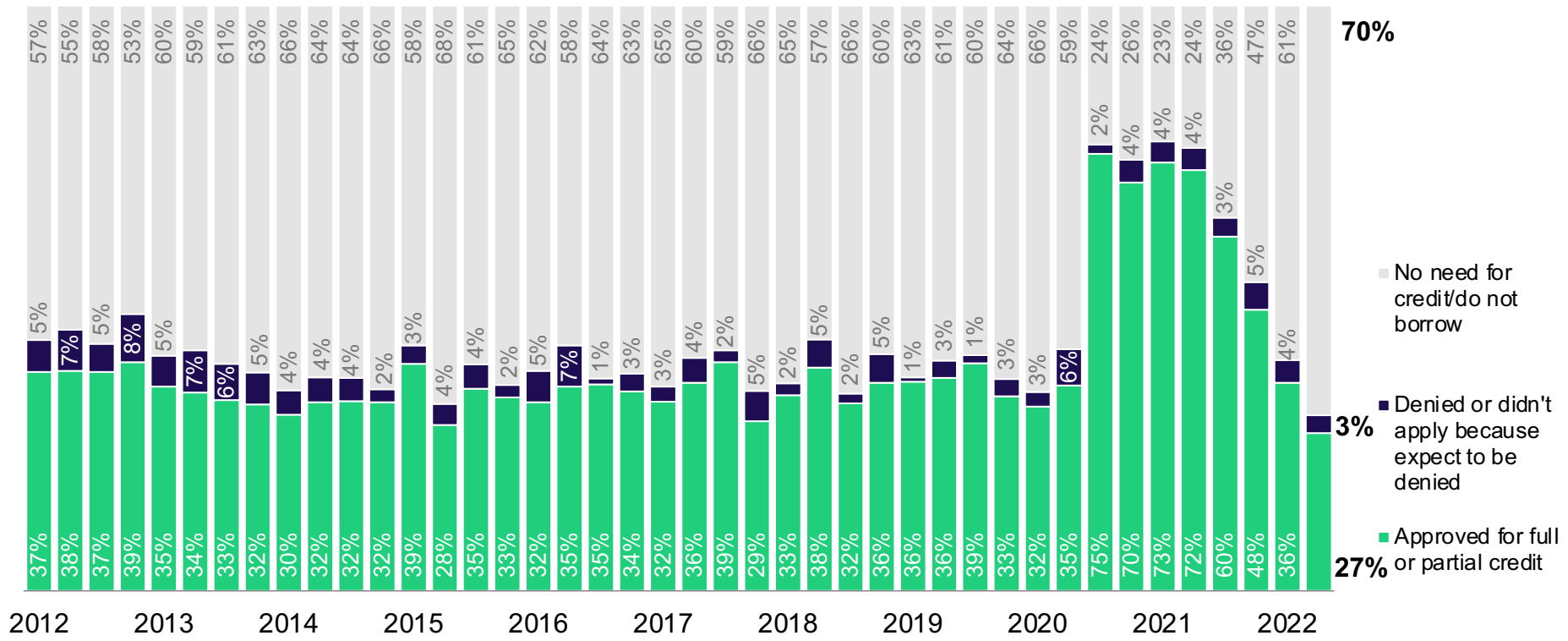
### CHANGE FROM 2Q2021



**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 2Q2022)

# Seven in ten middle market companies indicated they have no need for additional credit or do not borrow – the highest proportion since 2012

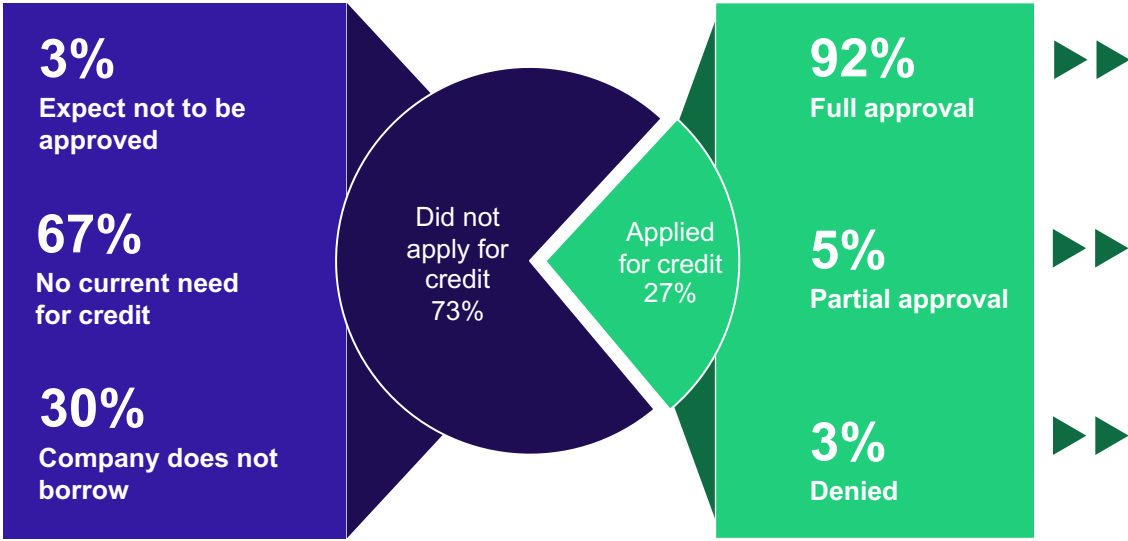
## MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT



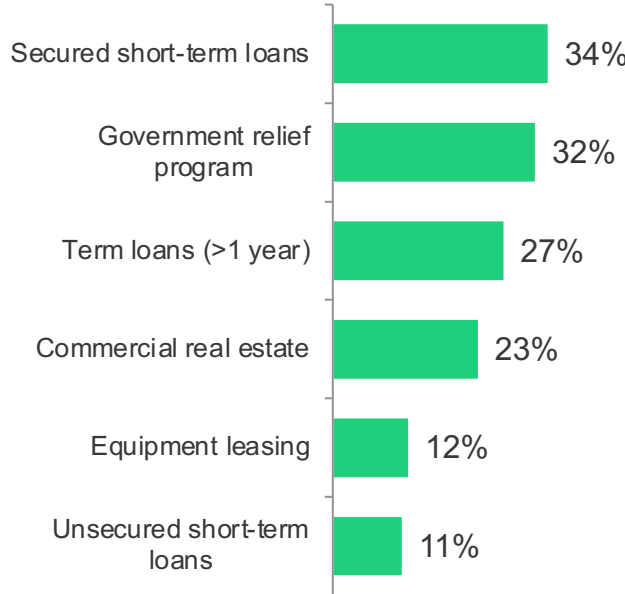
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Secured short-term loans were the most common credit product sought by middle market companies

## MIDDLE MARKET CREDIT APPLICATION OUTCOME



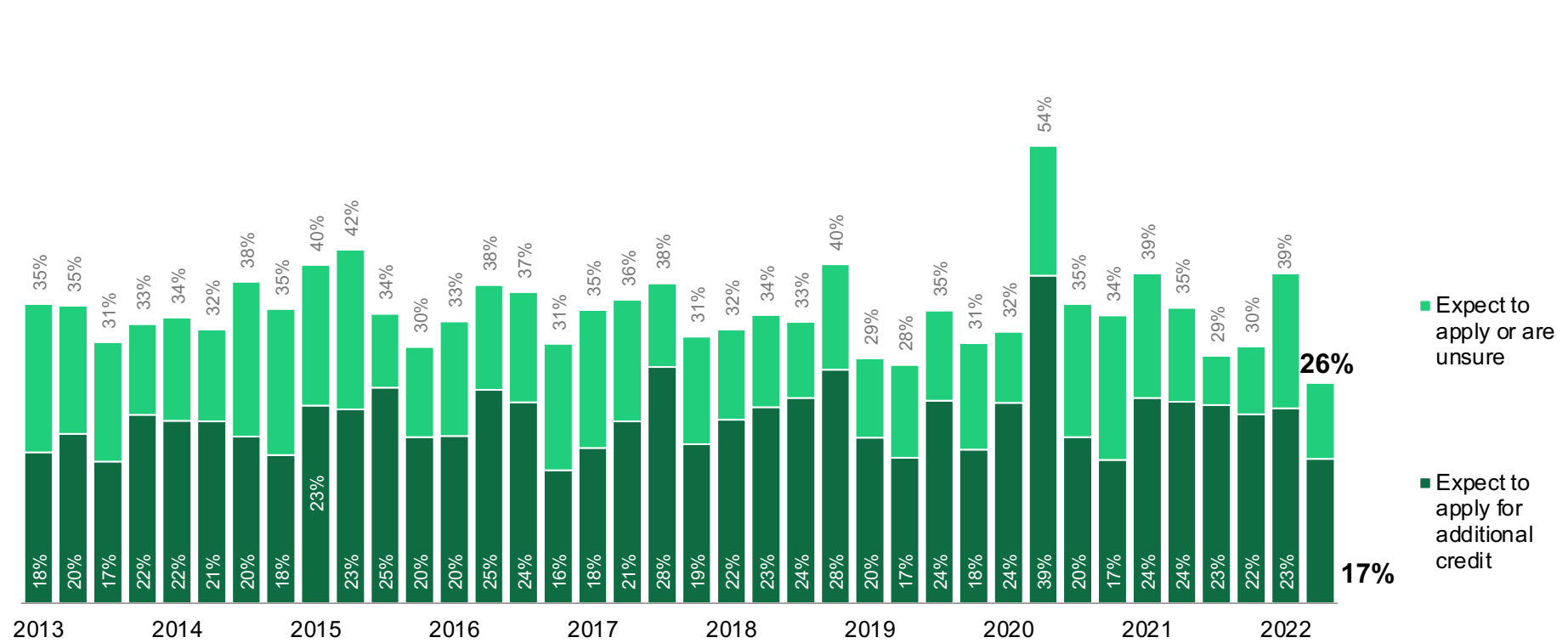
## TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE\*



\$10MM-<\$500MM  
 \*Base: those that applied for additional credit  
 BusinessPulse 2Q2022 Data

# Only 17% of middle market companies anticipate applying for additional credit in the next 12 months

## 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 2Q2022)

04

## Live Oak supplement: Commercial real estate & remote work

# A quarter of small businesses continue at least some remote work as a result of the pandemic

## TRANSITIONING TO REMOTE WORK

**23%** { **10%** transitioned to remote work and continue to be fully remote  
**13%** transitioned to remote work and continue some remote work

**6%** transitioned to remote work but have returned to non-remote work

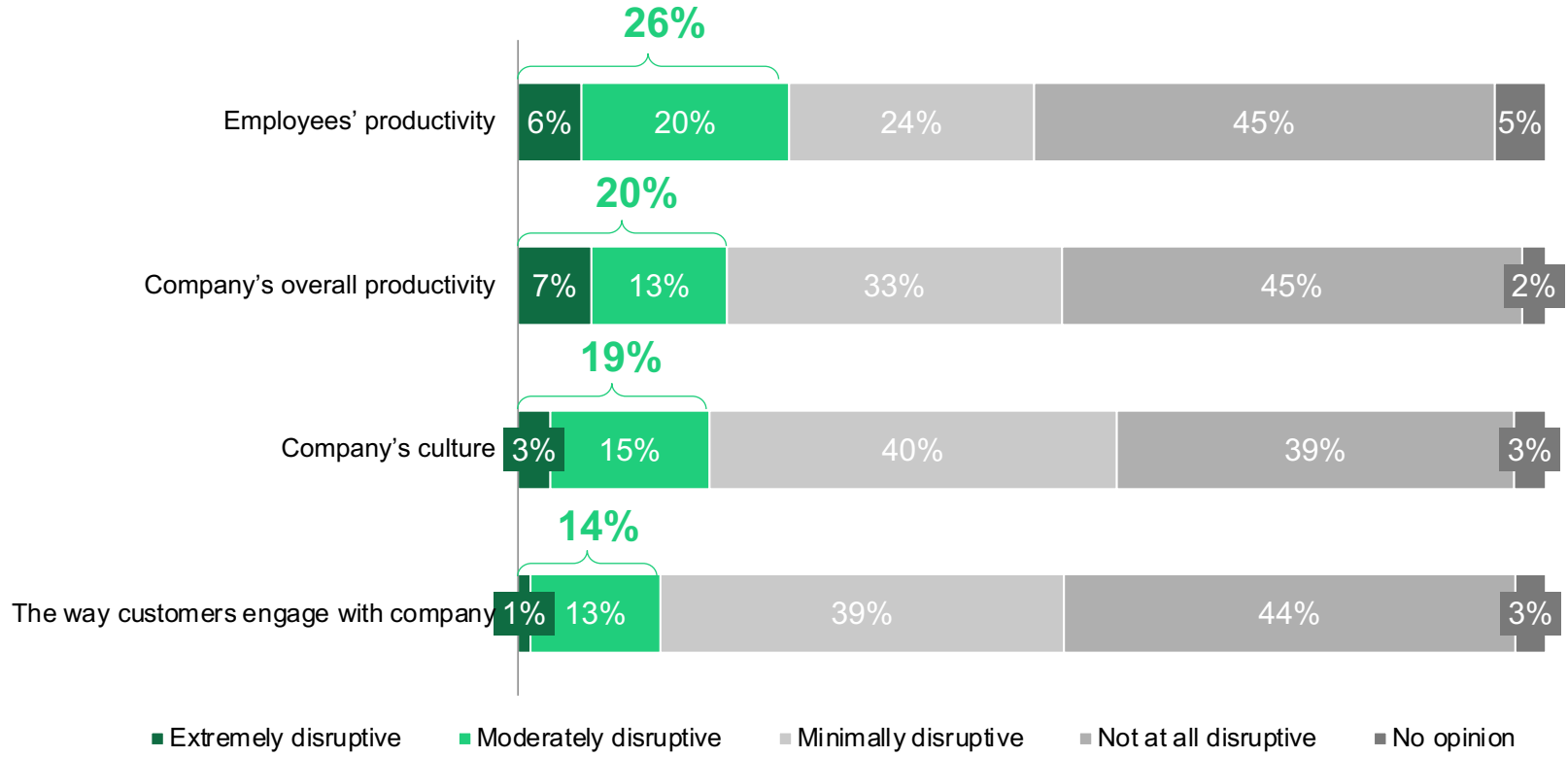
**71%** did not transition to remote work



**Q: Did you and/or anyone in your company transition to work remotely (e.g., work-from-home) as a result of COVID-19?**  
\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# For the most part, remote work has not been largely disruptive to small businesses

HOW DISRUPTIVE REMOTE WORK HAS BEEN\*



Q: Please rate how disruptive, if at all, the transition to remote work was to...

\* Based on those that transitioned to remote work due to COVID-19  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

## LEARNINGS FROM REMOTE WORK\*

“It was not as hard as we thought to keep individuals productive. It was harder than we thought to promote overall innovation and collaboration.”

*\$1MM-<\$2.5MM business consulting company*

“We learned that no matter how well secured you think your company’s internet domain is, even if you have the most recent, costly security in place, you will probably get attacked by outside forces based almost anywhere in the U.S. and outside the U.S.”

*\$5MM-<\$10MM investment trust company*

“It is more difficult to control culture. Management of remote employees is an additional challenge. Costs are down a little because of office space.”

*\$5MM-<\$10MM commercial graphic design company*

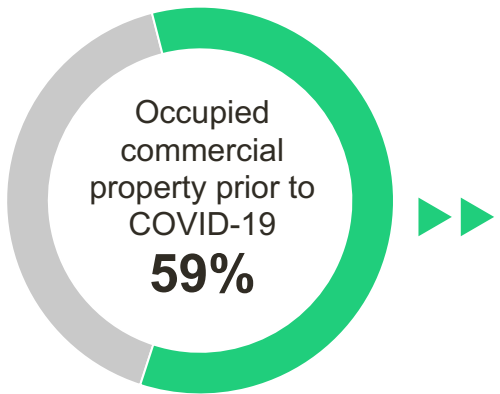
**Q: What is the single most important thing you have learned about effectively operating your company remotely?**

\* Based to those that transitioned to remote work due to COVID-19  
\$100K-<\$10MM

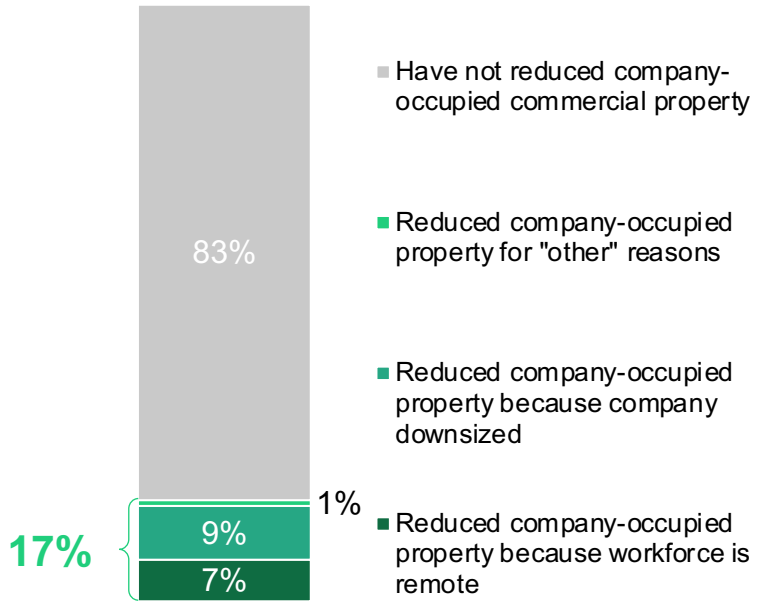
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Nearly one in five small businesses that occupied commercial property prior to the pandemic have reduced their brick-and-mortar footprint

**% OF SMALL BUSINESSES THAT OCCUPIED COMMERCIAL PROPERTY**  
*(own/rent/lease)*



**TRANSITIONING AWAY FROM COMPANY-OCCUPIED COMMERCIAL PROPERTY\***



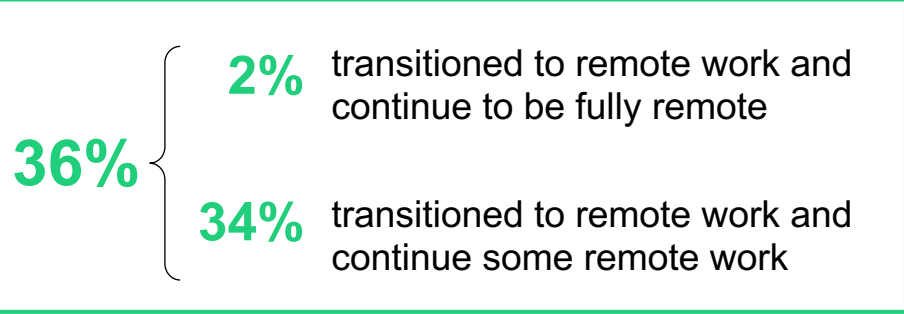
**EXPECTED CHANGES IN NEED TO OCCUPY COMM'L PROPERTY\***



Q: Did your company occupy commercial property (own, rent or lease) when the COVID-19 pandemic began?  
 Q: Has your company *reduced* the amount of company-occupied property owned, leased or rented since the beginning of 2020?  
 Q: During the *next 5 years*, how do you expect your company's need to occupy commercial property (own, rent or lease) to change?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

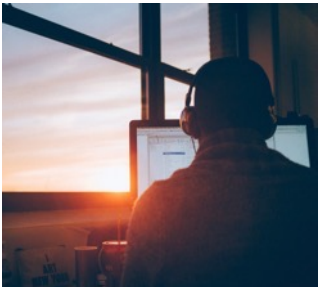
# It is relatively common for middle market companies to have some remote work

## TRANSITIONING TO REMOTE WORK



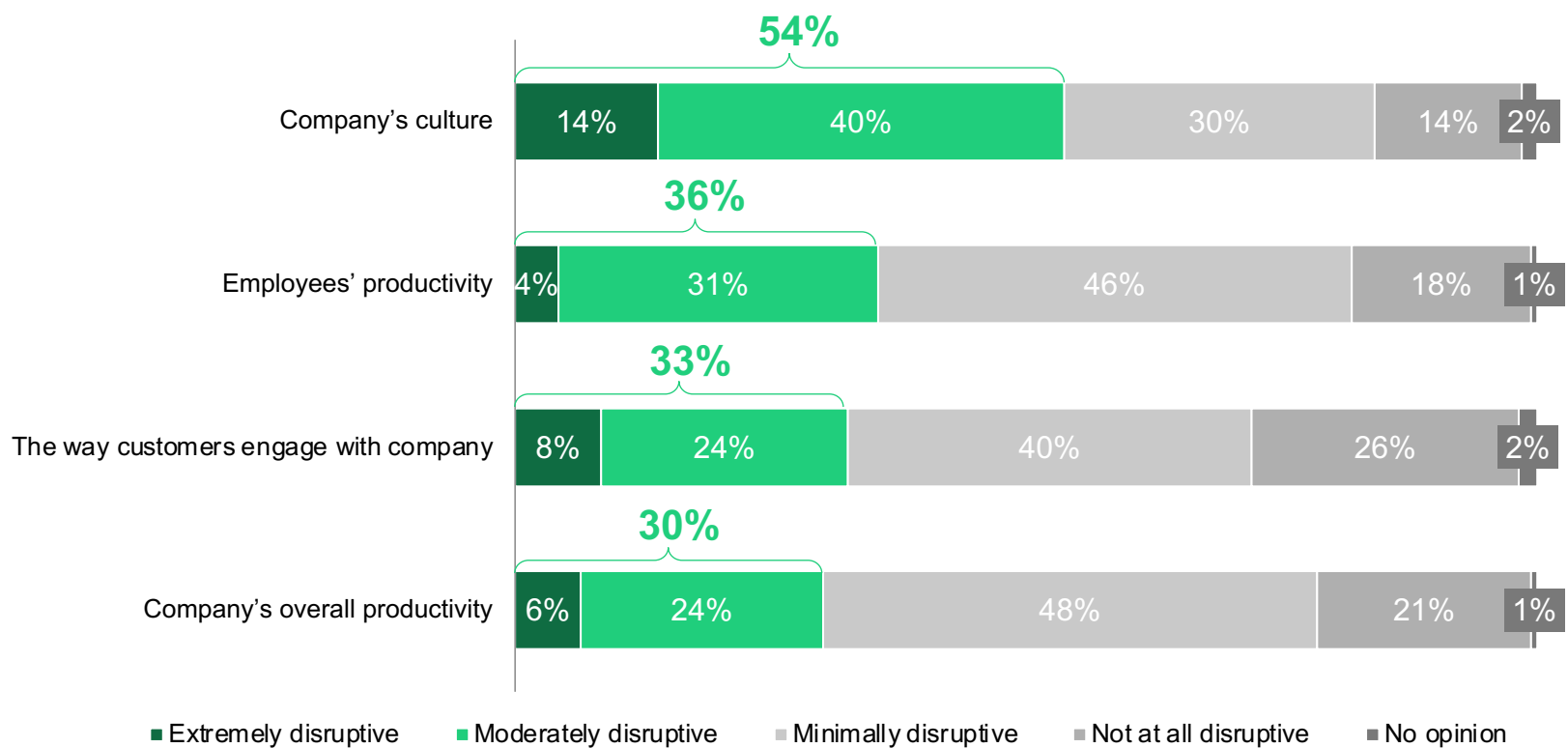
24% transitioned to remote work but have returned to non-remote work

40% did not transition to remote work



# Remote work has been fairly disruptive to the culture within middle market companies

HOW DISRUPTIVE REMOTE WORK HAS BEEN\*



Q: Please rate how disruptive, if at all, the transition to remote work was to...

\* Based on those that transitioned to remote work due to COVID-19  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)

## LEARNINGS FROM REMOTE WORK\*

“Remote workers feel they are productive, but the company as a whole is not productive. That is because each remote worker is somewhat siloed from the company priorities and works on their own priorities. So, communication, communication and more communication is required.”

*\$10MM-<\$25MM electrical engineering company*

“Efficiency and productivity were satisfactory. Competent people perform wherever located. Slackers become obvious. We prefer that most activities are handled in operational facility. Computer/IT people are not hindered by location of the equipment. LIFE has changed; we adjust.”

*\$50MM-<\$100MM prefabricated metal building manufacturer*

“We need to schedule regular events or opportunities for face-to-face interaction. Virtually all of our reviews asked for this following the pandemic. People need and want some interaction with their peers but love the opportunity and flexibility to work from home, at least part time.”

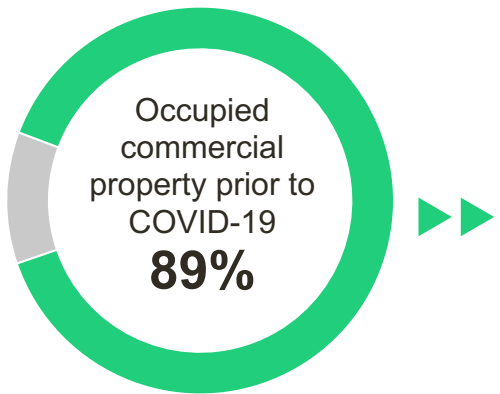
*\$100MM-<\$500MM General electrical contracting company*

**Q: What is the single most important thing you have learned about effectively operating your company remotely?**

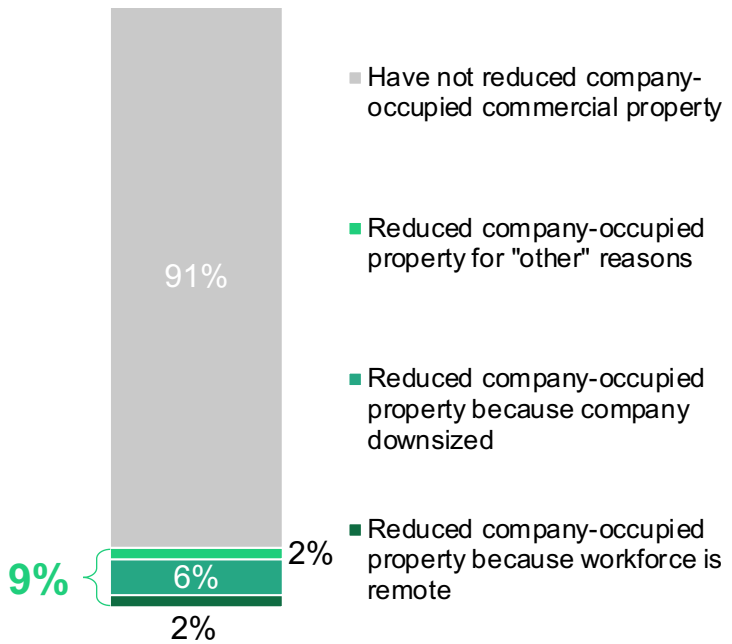
\* Based to those that transitioned to remote work due to COVID-19  
\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 2Q2022)

# Few middle market companies will reduce or anticipate reducing their reliance on commercial property

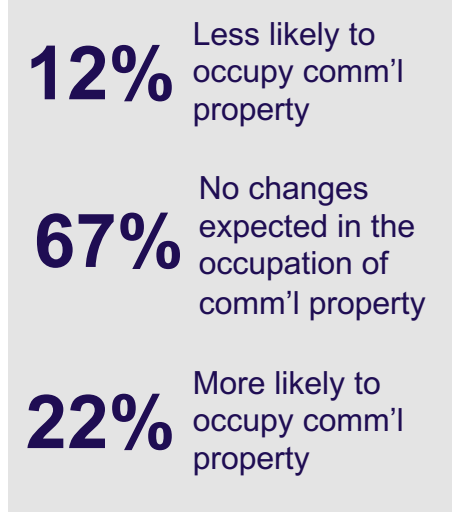
**% OF MIDDLE MARKET COMPANIES THAT OCCUPIED COMMERCIAL PROPERTY**  
*(own/rent/lease)*



**TRANSITIONING AWAY FROM COMPANY-OCCUPIED COMMERCIAL PROPERTY\***



**EXPECTED CHANGES IN NEED TO OCCUPY COMM'L PROPERTY\***



Q: Did your company occupy commercial property (own, rent or lease) when the COVID-19 pandemic began?  
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 \$10MM-~\$500MM  
 BusinessPulse Quarterly Trending Data (ending 2Q2022)



# Methodology

This BusinessPulse report contains data from surveys conducted in the second quarter of 2022 by Barlow Research, involving a sample of 511 small businesses and 451 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)

**511**      **36.5%**

Respondents      Response rate  
by mail or online

**±4.34% at 95%**  
Max error factor

**Fielding period**  
April 1 – April 15, 2022

## Middle Market (\$10MM-<\$500MM)

**451**      **28.2%**

Respondents      Response rate  
by mail or online

**±4.61% at 95%**  
Max error factor

**Weighted**  
By geography and sales volume

