

BUSINESSPULSE

Third Quarter, 2021



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.

Third quarter 2021 summary

ECONOMIC POSITION

Past 12 months

SMALL BUSINESS

Increased optimism
Increased prices & sales
Increased capital expenditures; decreased hiring & cash reserves



MIDDLE MARKET

Increased optimism
Increased prices, sales & profits
Increased hiring, capital expenditures & cash reserves

ECONOMIC OUTLOOK

Next 12 months

Decreased confidence
Increased price expectations; decreased sales & profit expectations
Decreased hiring expectations



Slightly decreased confidence
Decreased price expectations
Increased hiring expectations; decreased capital expenditure & excess cash reserve expectations

CREDIT OUTLOOK

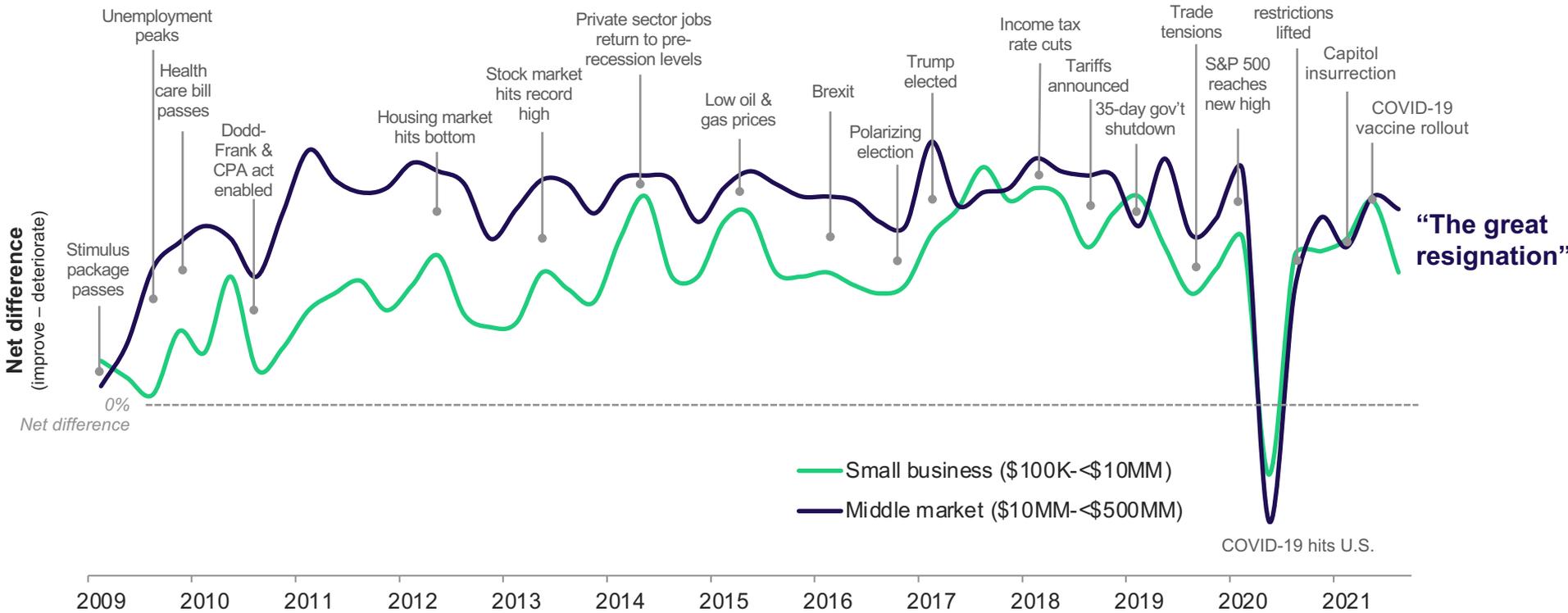
Increased need & expected need for bank loans
Elevated demand for additional credit (resulting from PPP)
Decreased expectations to apply for additional credit



Increased need & expected need for bank loans
Elevated demand for additional credit (resulting from PPP)
Decreased expectations to apply for additional credit

Business confidence decreased in the third-quarter amid continued struggles with hiring and supply chain disruptions

FINANCIAL CONDITION Next 12 months net difference



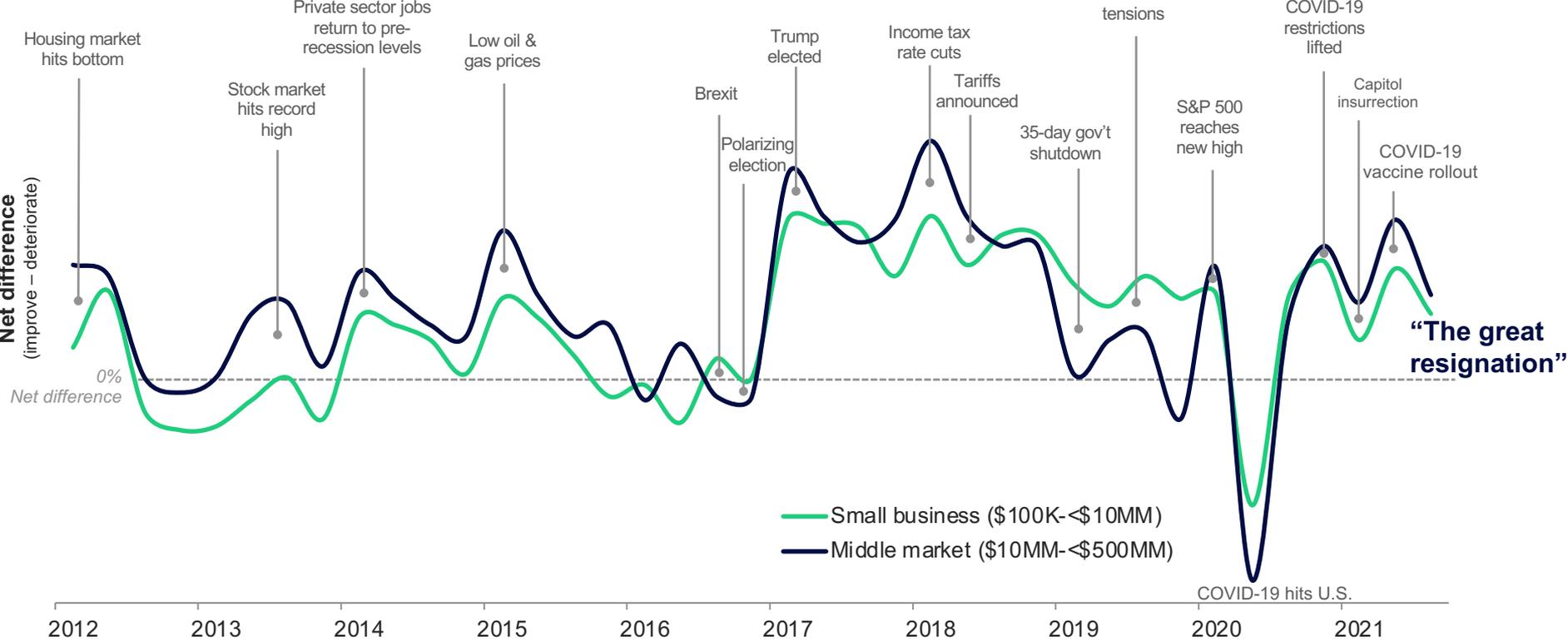
“The great resignation”

Q: During the next 12 months, do you expect your company's overall financial condition to...
BusinessPulse Quarterly Trending Data (3rd quarter)

Confidence in the U.S. economy continued to ebb and flow

U.S. ECONOMY CONDITION

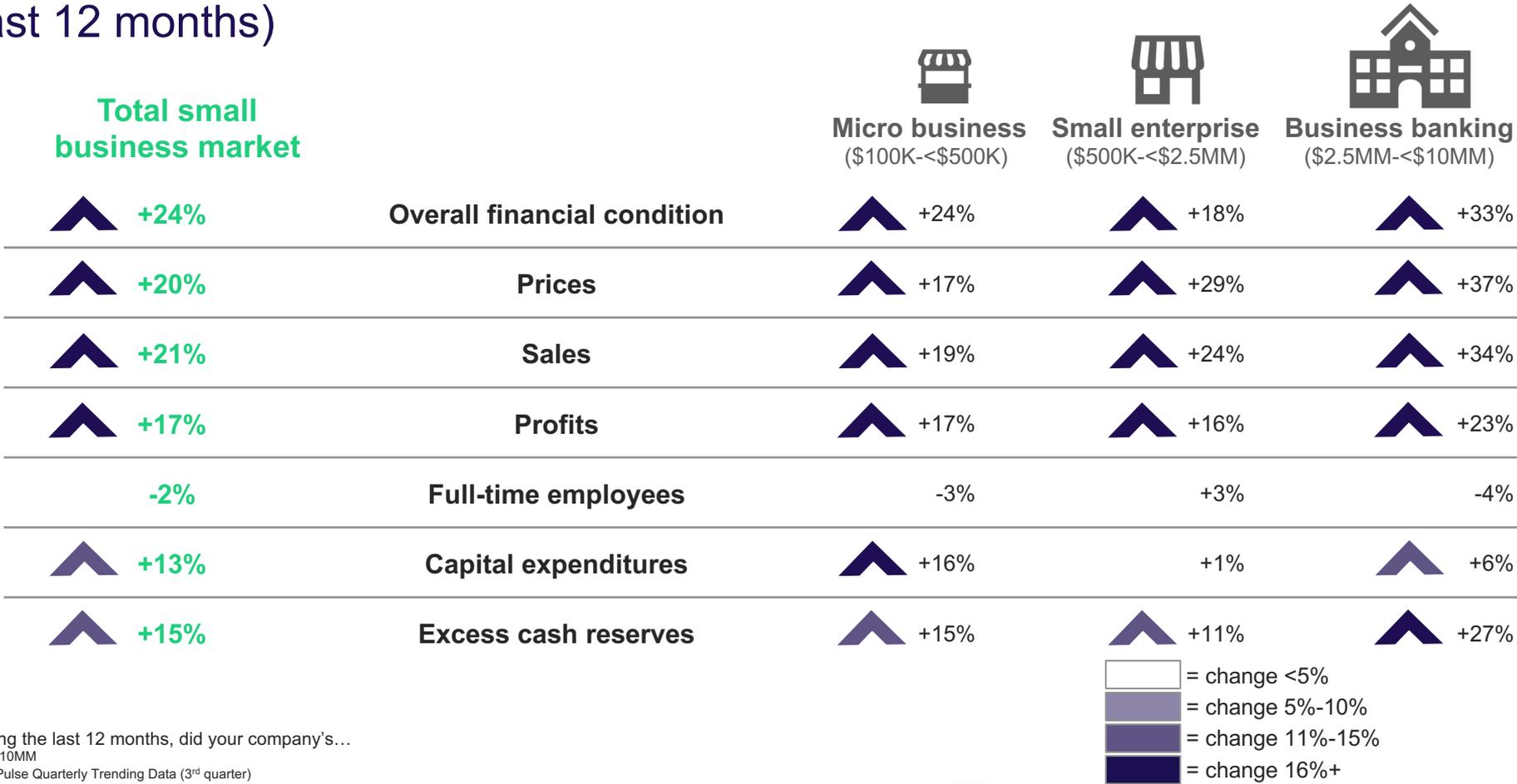
Next 12 months net difference



Q: During the next 12 months, do you expect the U.S. economy to...
 BusinessPulse Quarterly Trending Data (3rd quarter)

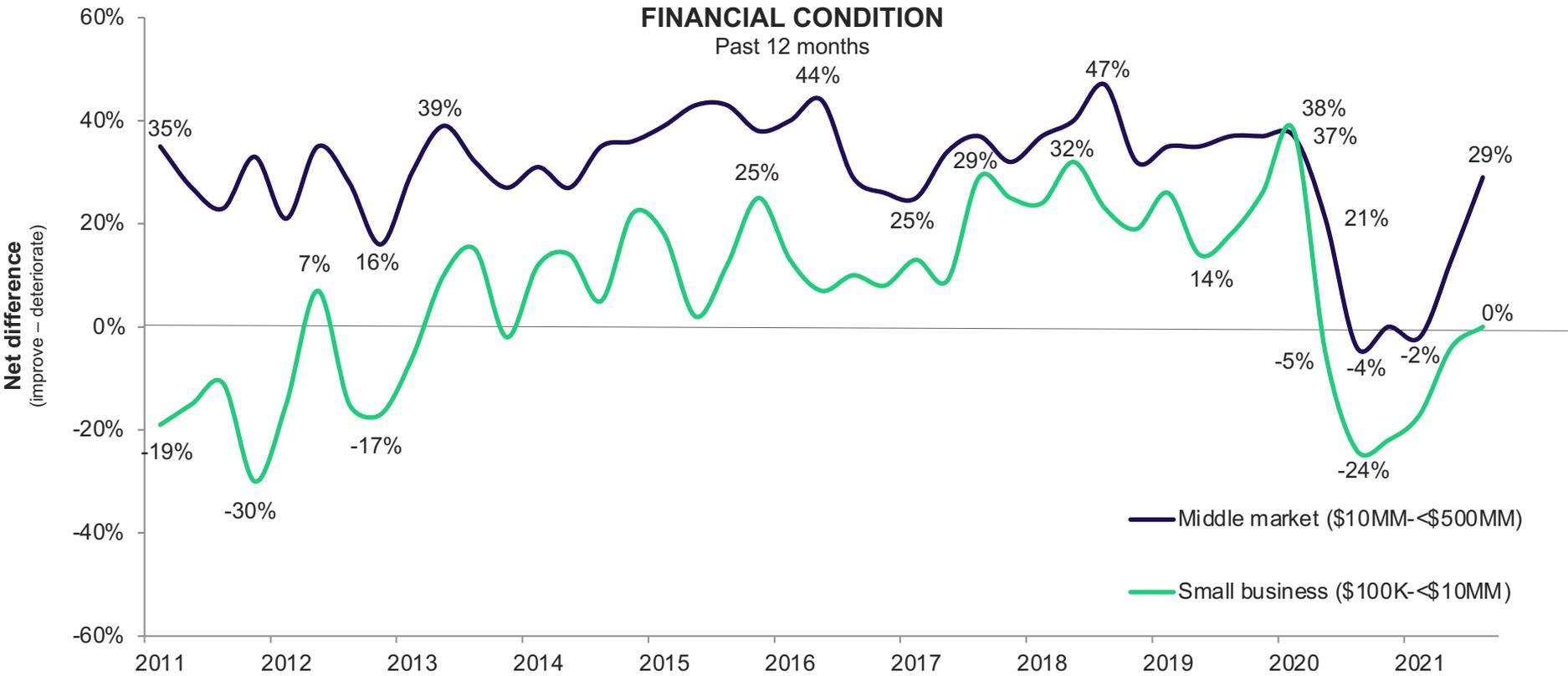
1 | Retrospective economic position

Small business net difference change from the third quarter of 2020 (past 12 months)



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

Financial conditions continued to improve, especially in the middle market

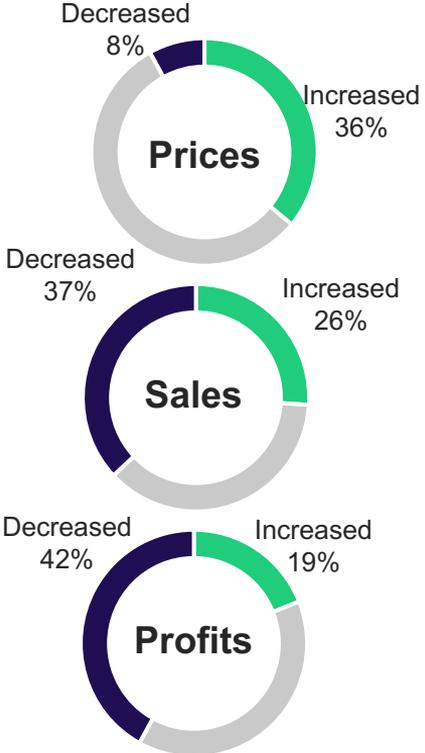


Q: During the last 12 months, did your company's overall financial condition...
BusinessPulse Quarterly Trending Data (3rd quarter)

Small business pricing pressure was evident with increased sales and prices but limited profitability

SMALL BUSINESS PRICES, SALES & PROFITS

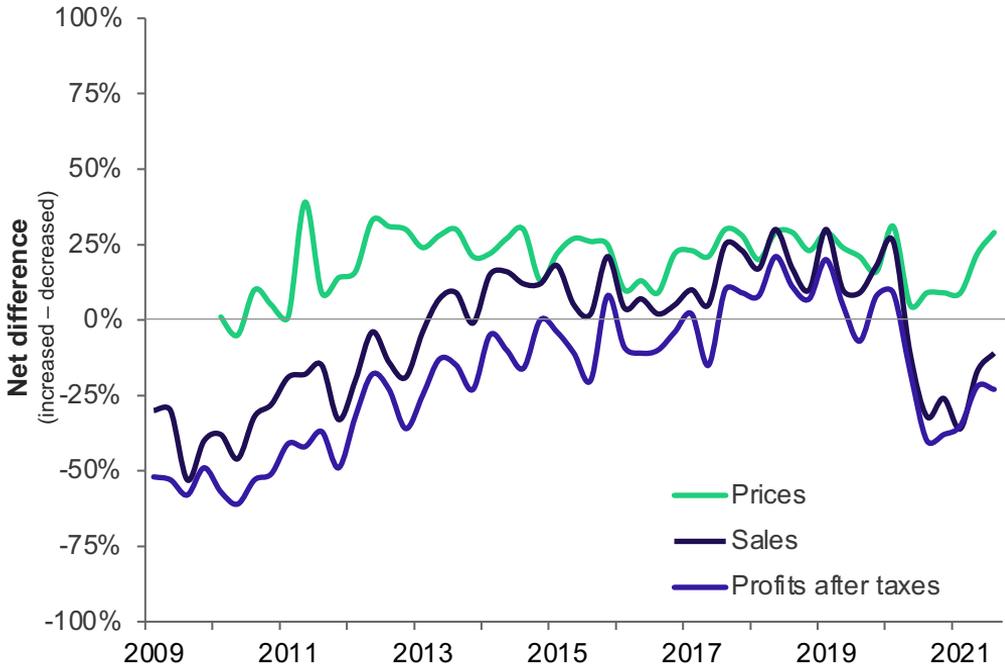
Past 12 months



+29% Net difference
(increased – decreased)

-11% Net difference
(increased – decreased)

-23% Net difference
(increased – decreased)

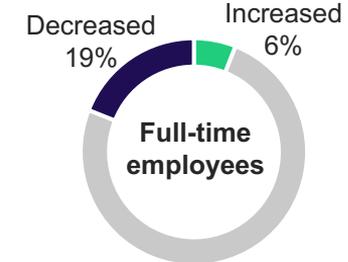


Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (3rd quarter)

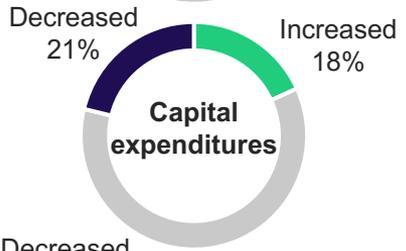
Nearly one in five small businesses had employee decreases over the past 12 months

SMALL BUSINESS HIRING, CAPITAL EXPENDITURES & CASH RESERVES

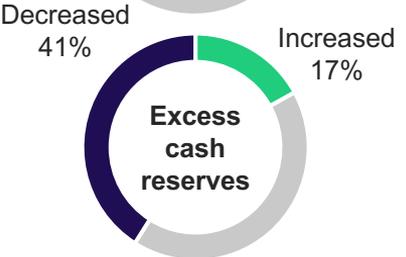
Past 12 months



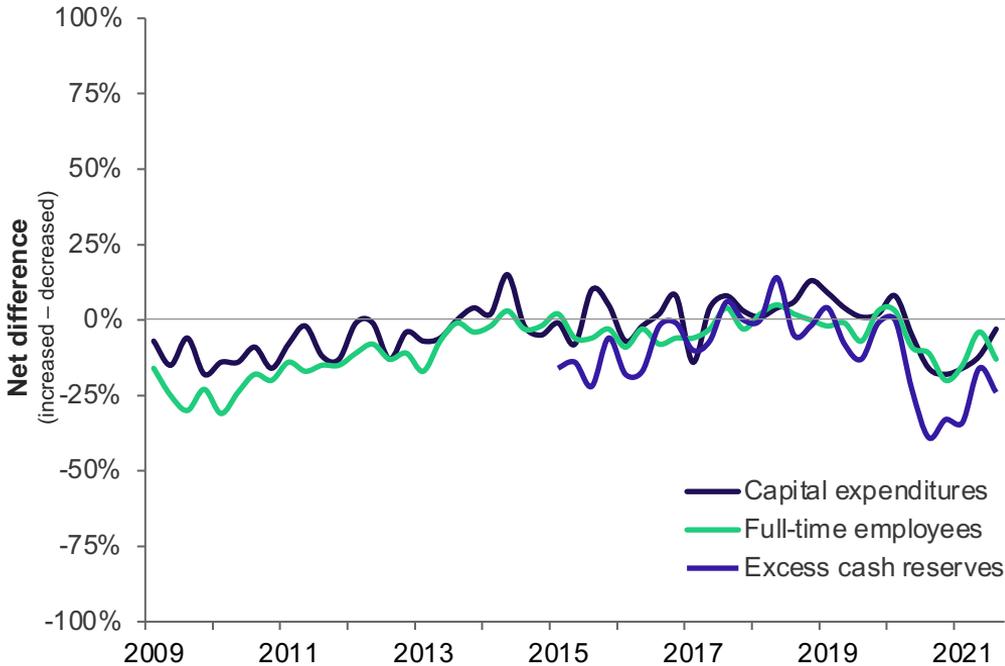
-13% Net difference
(increased – decreased)



-3% Net difference
(increased – decreased)

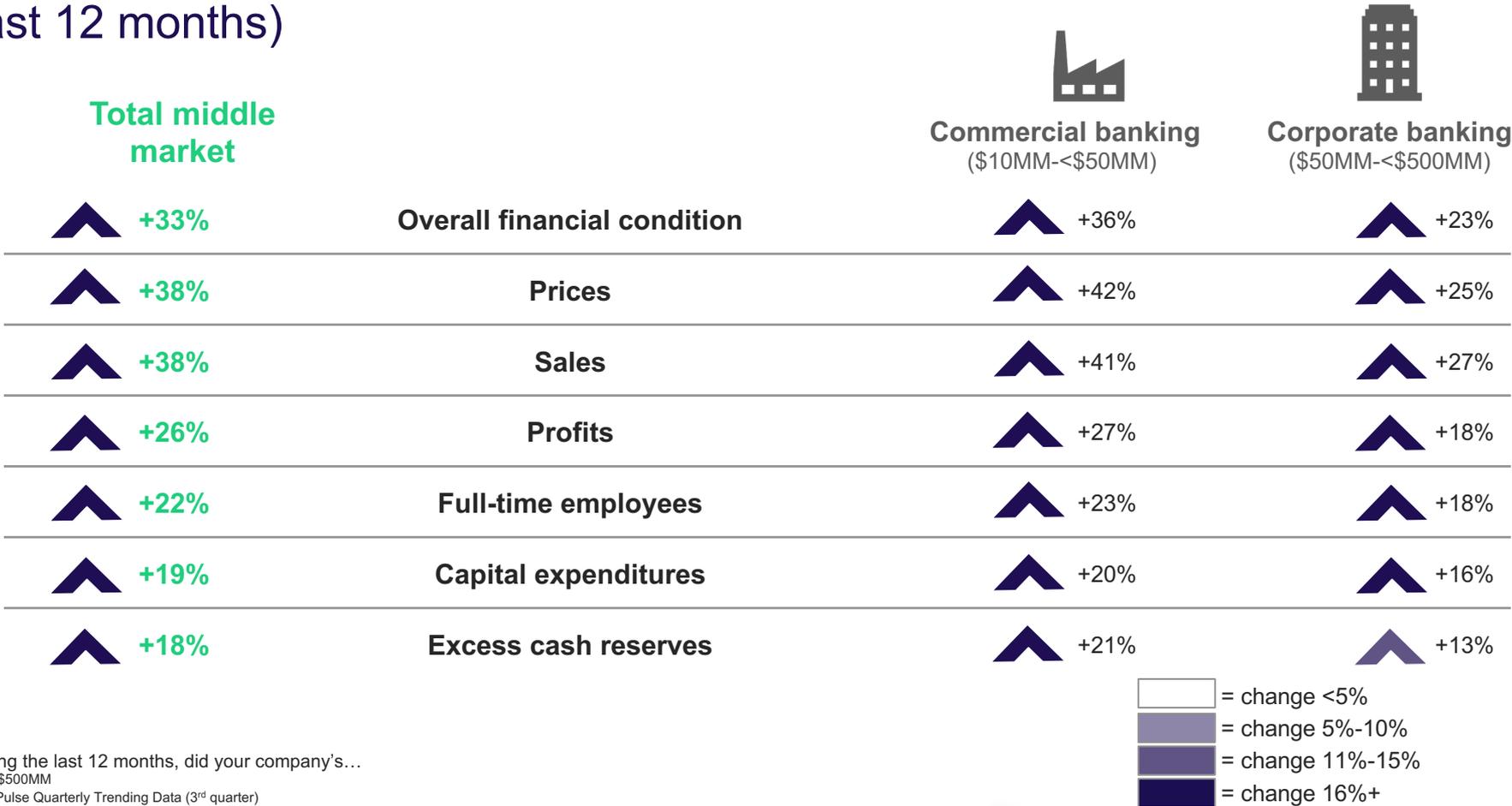


-24% Net difference
(increased – decreased)



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

Middle market net difference change from the third quarter of 2020 (past 12 months)



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

Middle market prices increased to their highest point since the Great Recession; fortunately, sales and profits have nearly recovered as well

MIDDLE MARKET PRICES, SALES & PROFITS

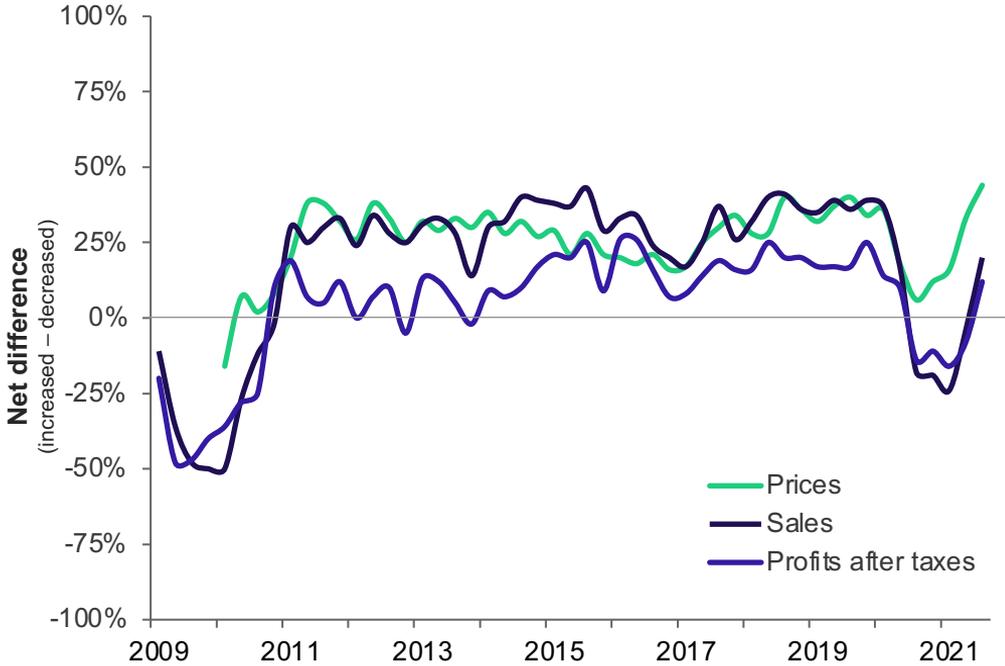
Past 12 months



+44% Net difference
(increased - decreased)

+20% Net difference
(increased - decreased)

+12% Net difference
(increased - decreased)

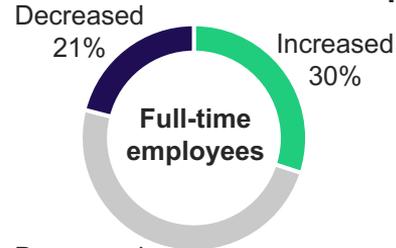


Q: During the last 12 months, did your company's...
\$10MM-\$500MM
BusinessPulse Quarterly Trending Data (3rd quarter)

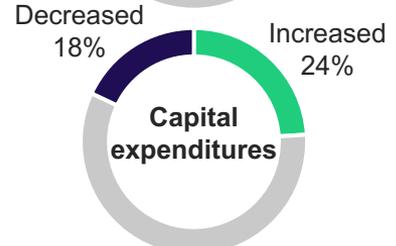
Middle market hiring has accelerated over the past 12 months

MIDDLE MARKET HIRING, CAPITAL EXPENDITURES & CASH RESERVES

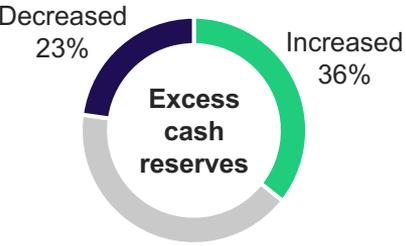
Past 12 months



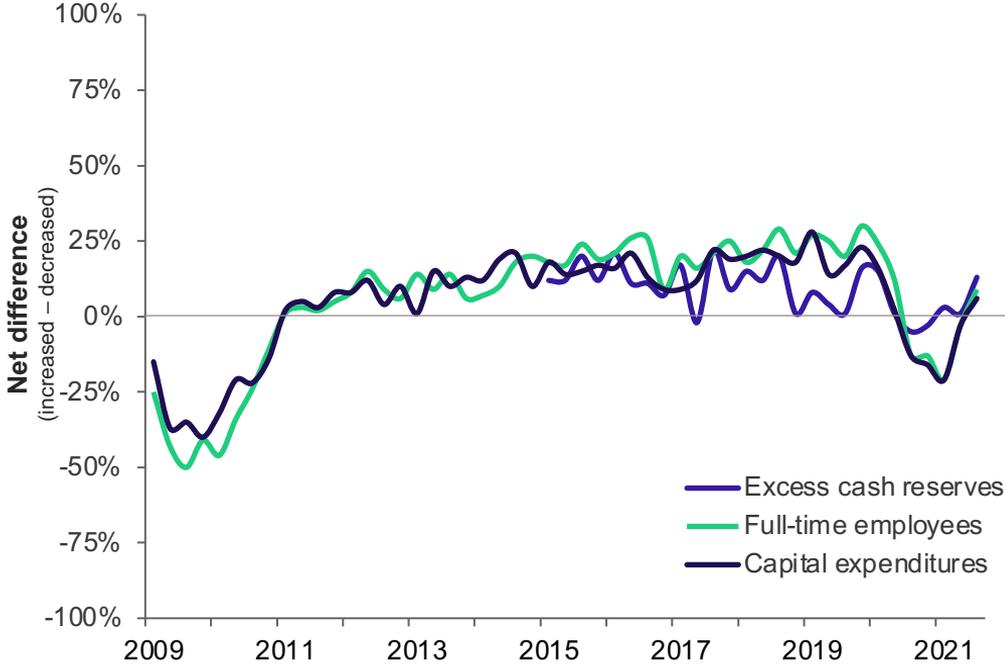
+9% Net difference
(increased – decreased)



+6% Net difference
(increased – decreased)



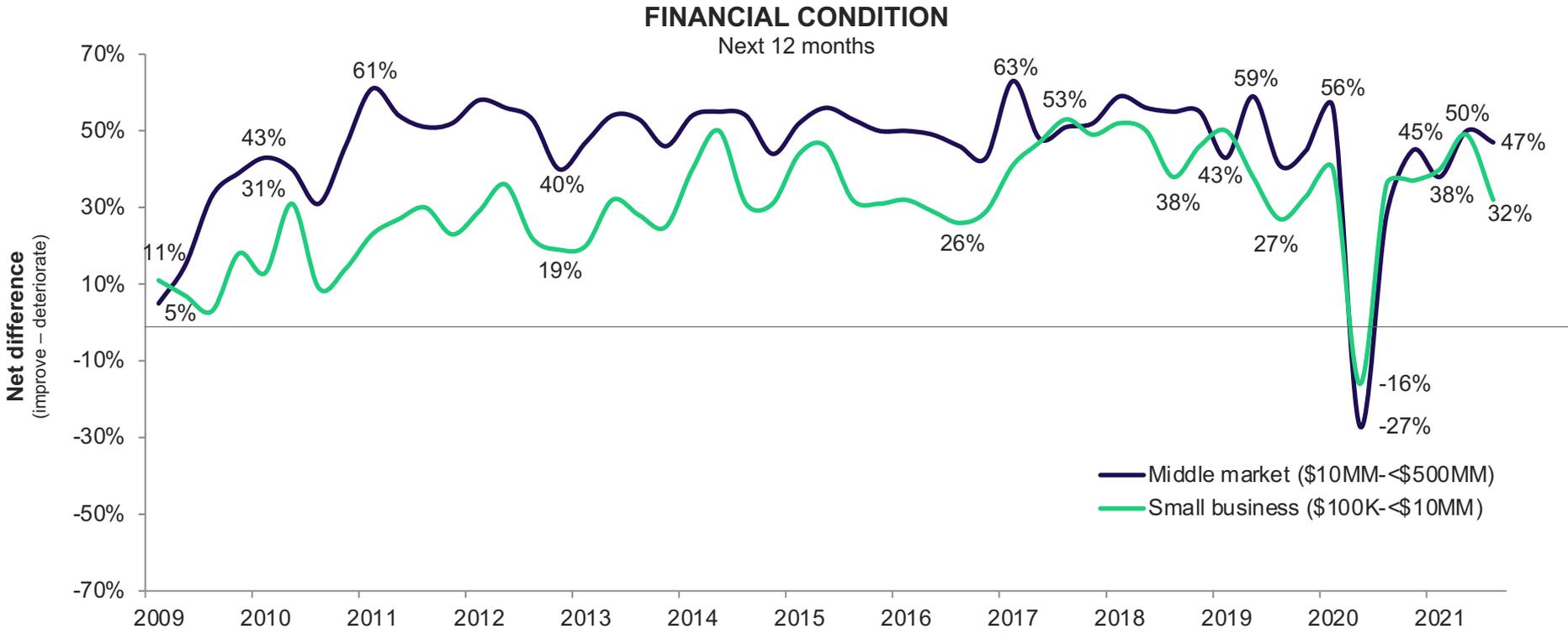
+13% Net difference
(increased – decreased)



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

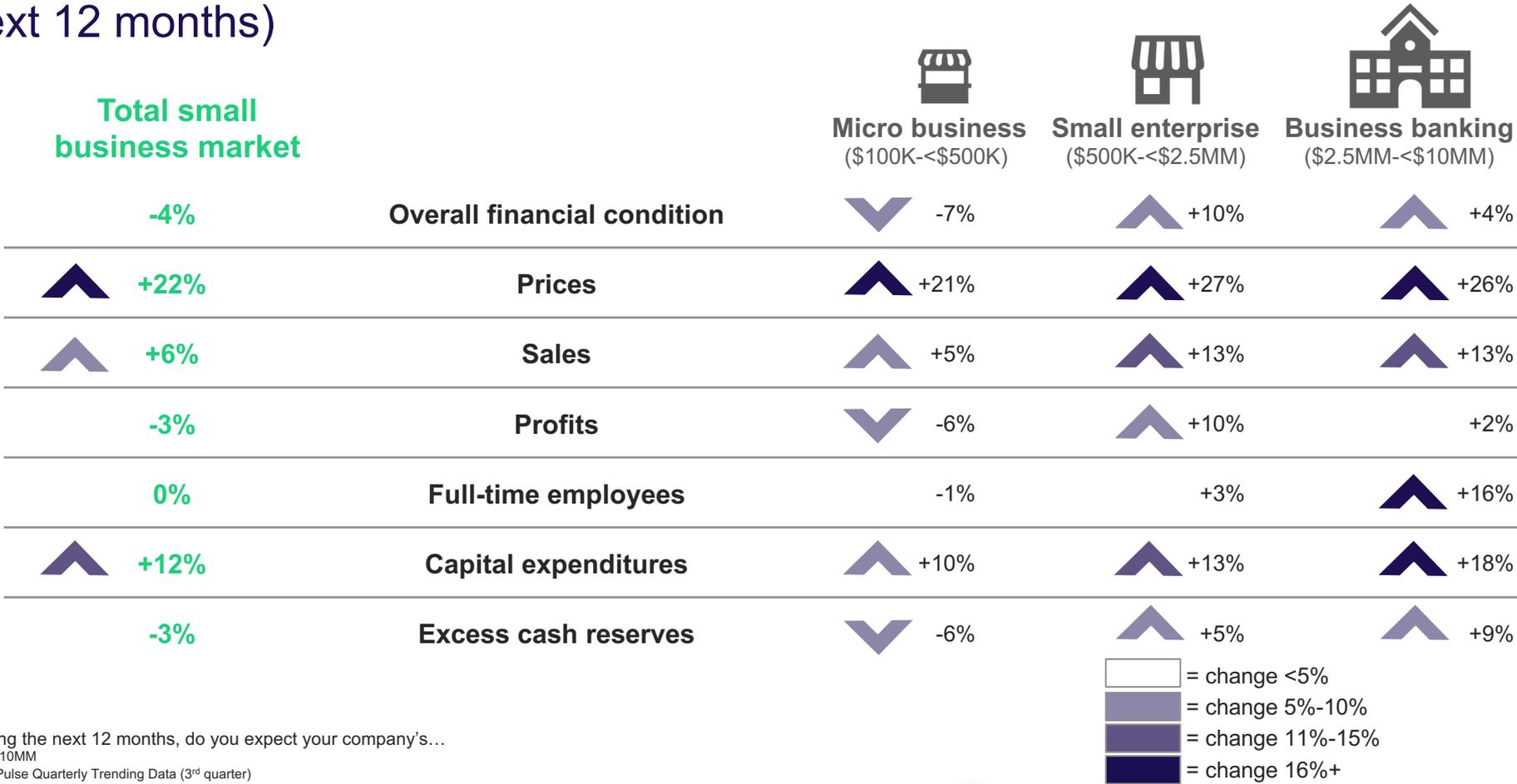
2 | Future economic outlook

Small business financial condition expectations decreased after a high point in the second quarter; middle market confidence has stabilized



Q: During the next 12 months, do you expect your company's overall financial condition to...
BusinessPulse Quarterly Trending Data (3rd quarter)

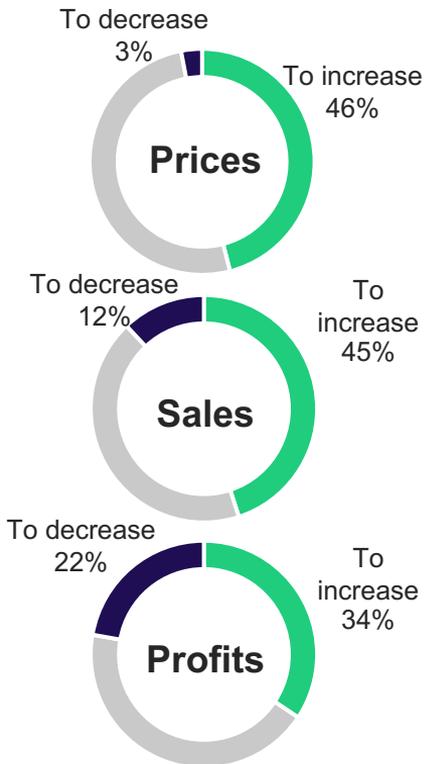
Small business net difference change from the third quarter of 2020 (next 12 months)



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

Nearly half of small businesses are expecting to increase their prices over the next 12 months

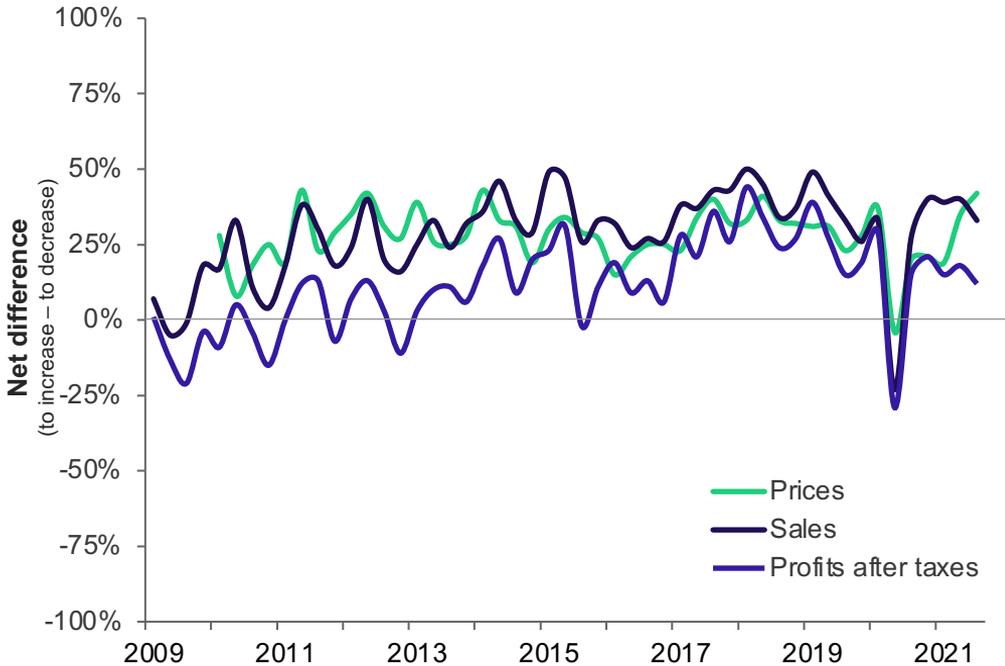
SMALL BUSINESS PRICES, SALES & PROFITS Next 12 months



+42% Net difference
(to increase – to decrease)

+33% Net difference
(to increase – to decrease)

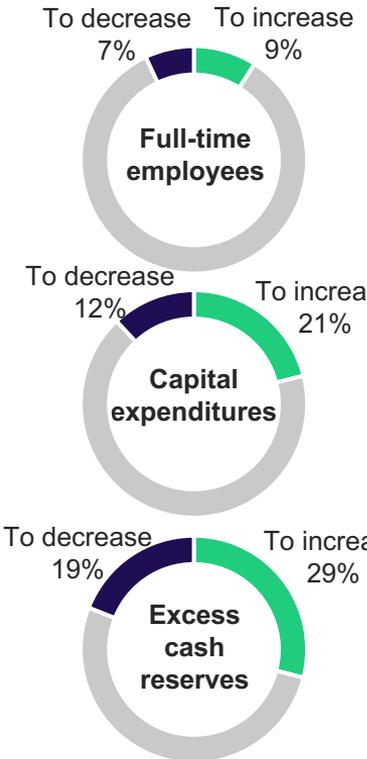
+12% Net difference
(to increase – to decrease)



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

Small businesses are expecting hiring activity to slow down over the next 12 months

SMALL BUSINESS HIRING, CAPITAL EXPENDITURES & CASH RESERVES

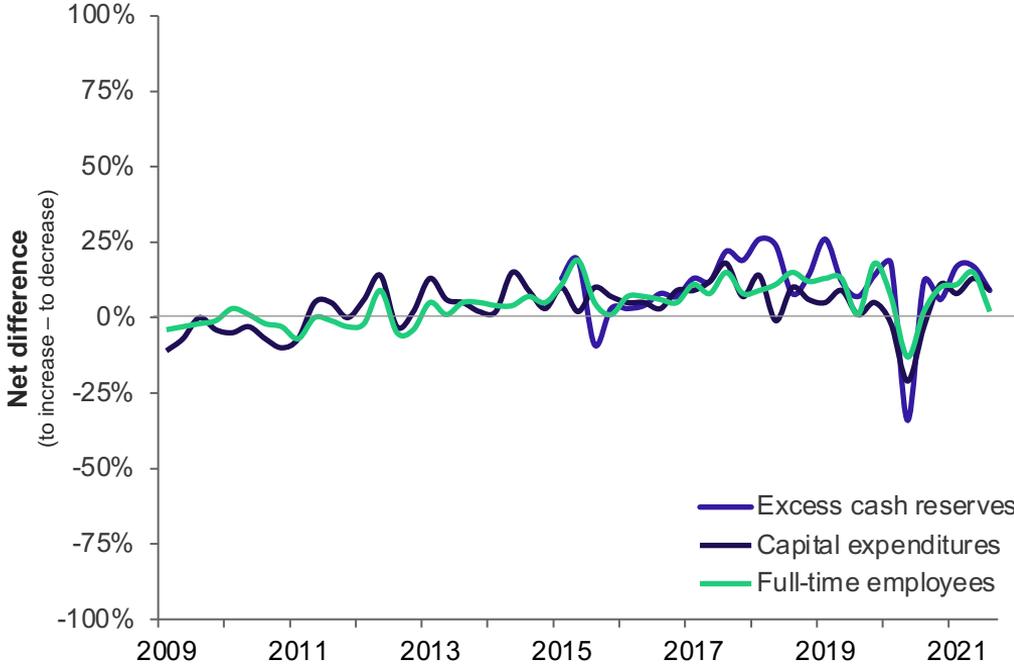


+2% Net difference
(to increase – to decrease)

+9% Net difference
(to increase – to decrease)

+9% Net difference
(to increase – to decrease)

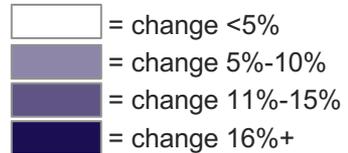
Next 12 months



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

Middle market net difference change from the third quarter of 2020 (next 12 months)

Total middle market	Overall financial condition	Commercial banking (\$10MM-<\$50MM)	Corporate banking (\$50MM-<\$500MM)
▲ +19%		▲ +19%	▲ +18%
▲ +24%	Prices	▲ +22%	▲ +29%
▲ +23%	Sales	▲ +21%	▲ +26%
▲ +16%	Profits	▲ +16%	▲ +19%
▲ +31%	Full-time employees	▲ +29%	▲ +38%
▲ +15%	Capital expenditures	▲ +14%	▲ +17%
▲ +6%	Excess cash reserves	+4%	▲ +11%



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

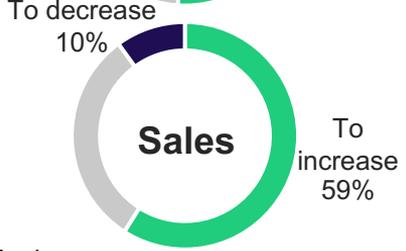
Middle market companies continued to have optimistic sales outlooks

MIDDLE MARKET PRICES, SALES & PROFITS

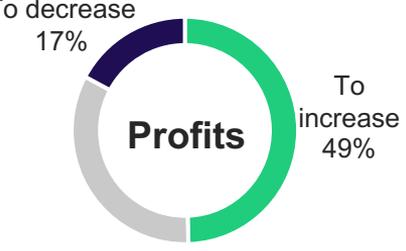
Next 12 months



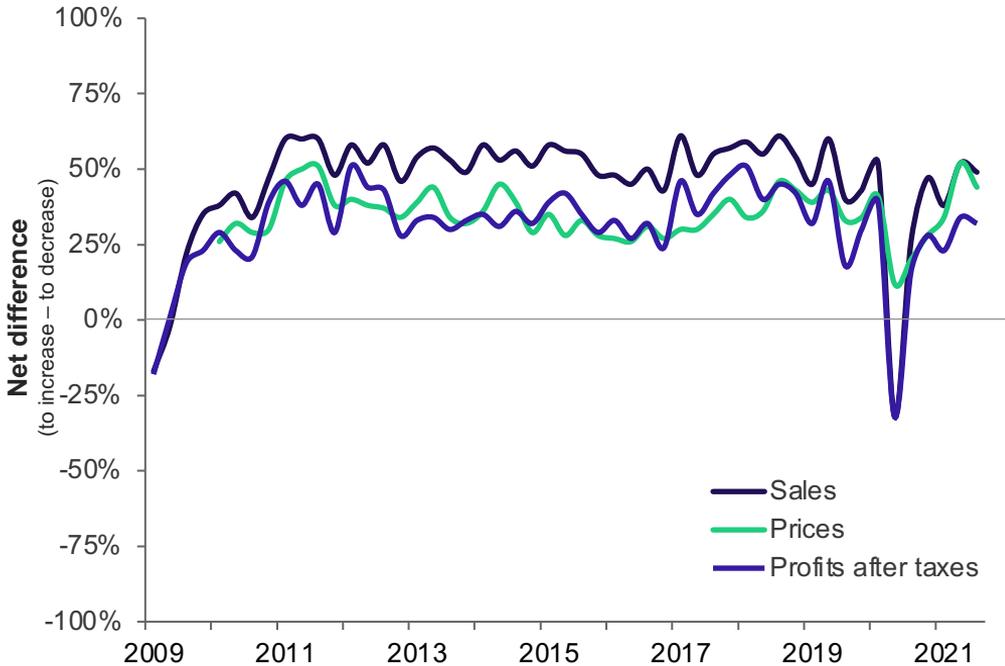
+44% Net difference
(to increase – to decrease)



+49% Net difference
(to increase – to decrease)



+32% Net difference
(to increase – to decrease)

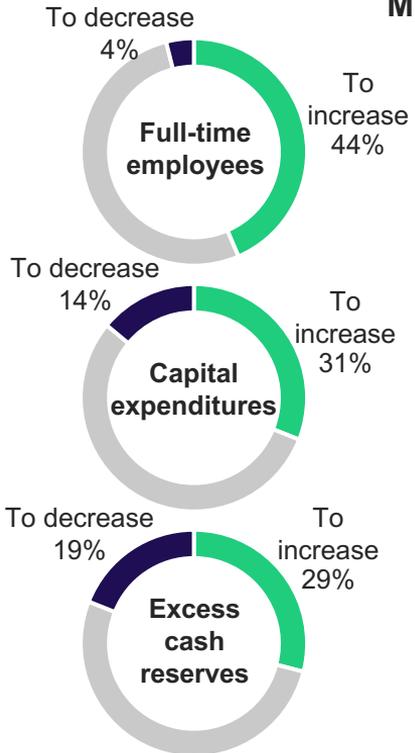


Q: During the next 12 months, do you expect your company's...
\$10MM-~\$500MM
BusinessPulse Quarterly Trending Data (3rd quarter)

A labor deficiency is apparent in the middle market based on expectations to hire over the next 12 months

MIDDLE MARKET HIRING, CAPITAL EXPENDITURES & CASH RESERVES

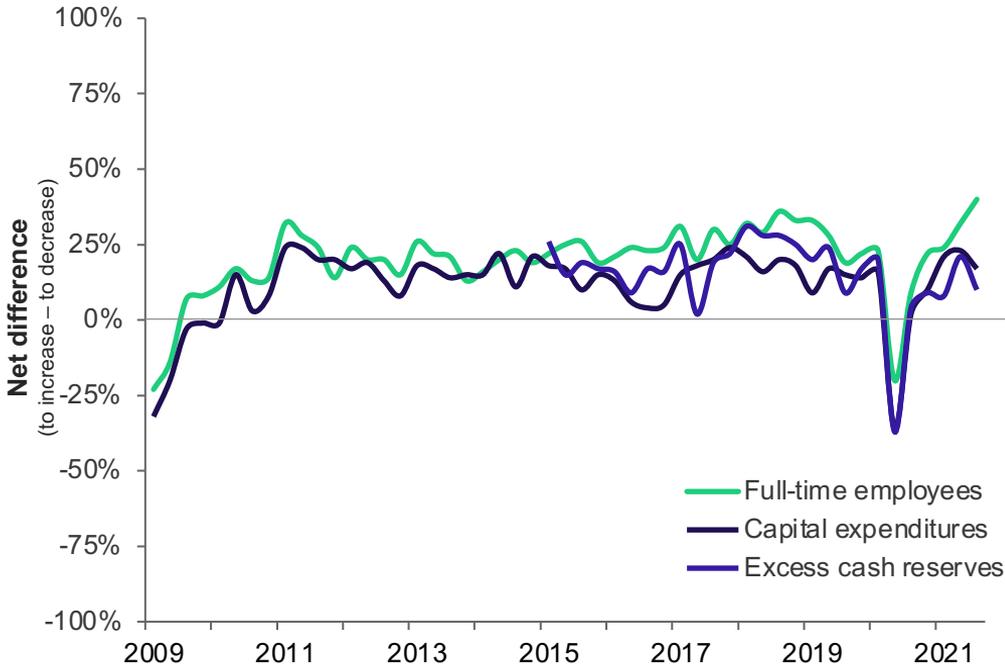
Next 12 months



+40% Net difference
(to increase – to decrease)

+17% Net difference
(to increase – to decrease)

+10% Net difference
(to increase – to decrease)

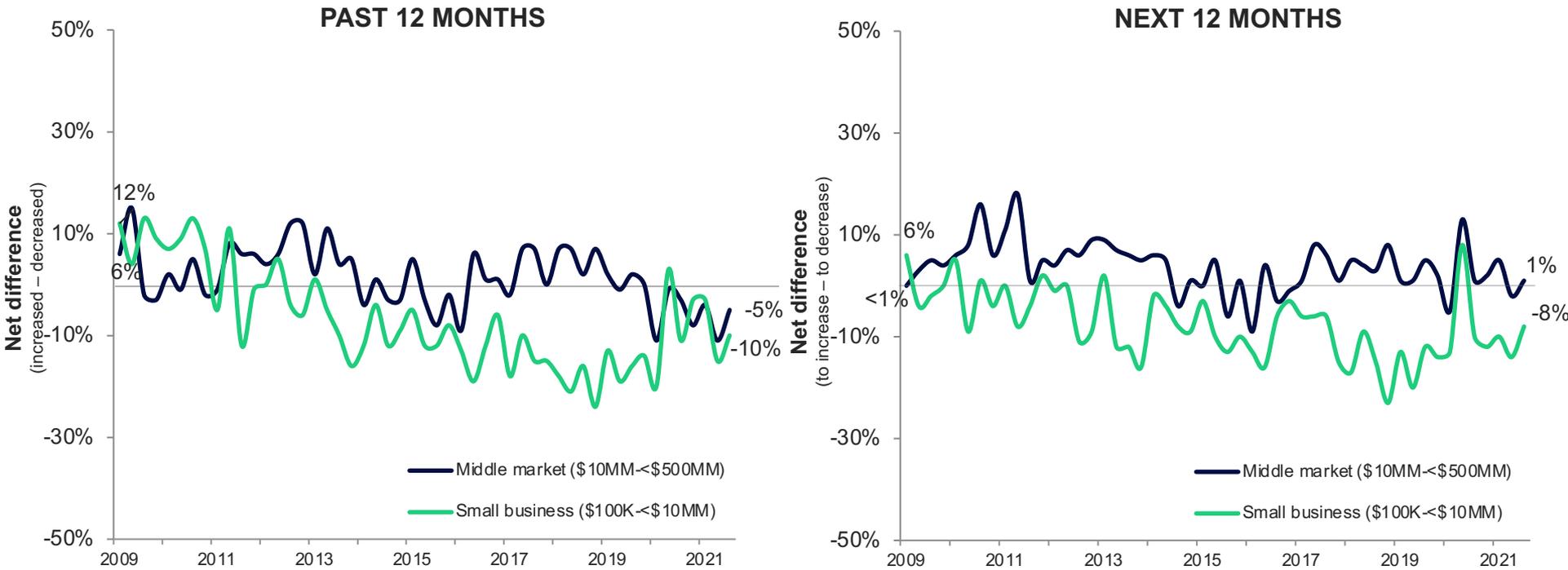


Q: During the next 12 months, do you expect your company's...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (3rd quarter)

3 | Credit outlook

The need for bank loans continued to be limited, although trend lines have ticked up

NEED FOR BANK LOANS

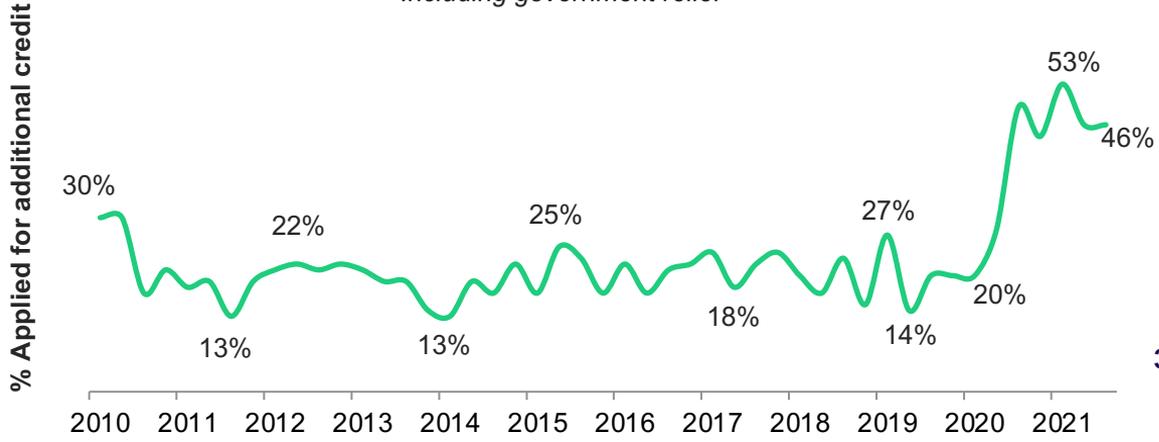


BusinessPulse Quarterly Trending Data (3rd quarter)

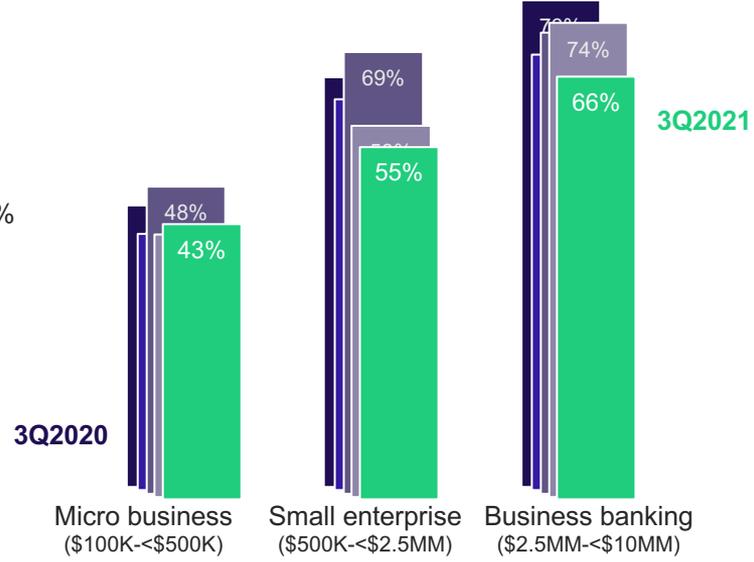
Small business applications for additional credit over the past 12 months remained elevated, which is a result of participation in government programs

SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

ADDITIONAL CREDIT APPLICATION TREND
Including government relief



CHANGE FROM 3Q2020



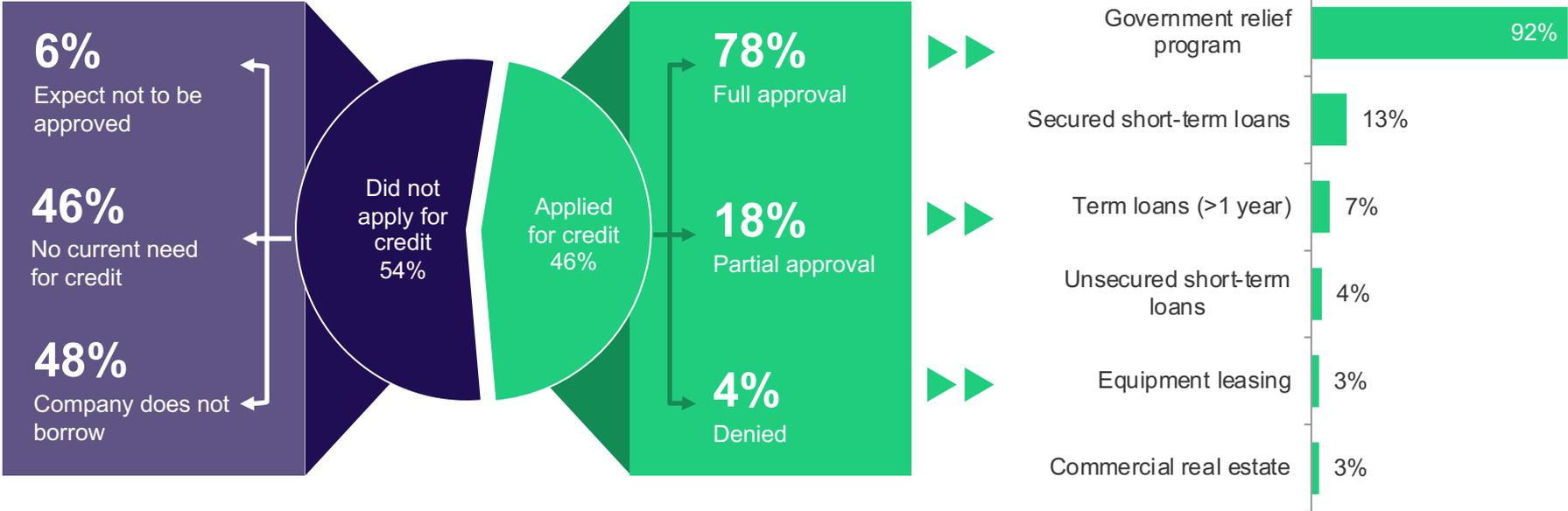
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution, including any government programs through a financial institution such as the Paycheck Protection Program (PPP)?

\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (3rd quarter)

Additional credit demand in the small business market continued to be in the form of government relief programs

SMALL BUSINESS CREDIT APPLICATION OUTCOME

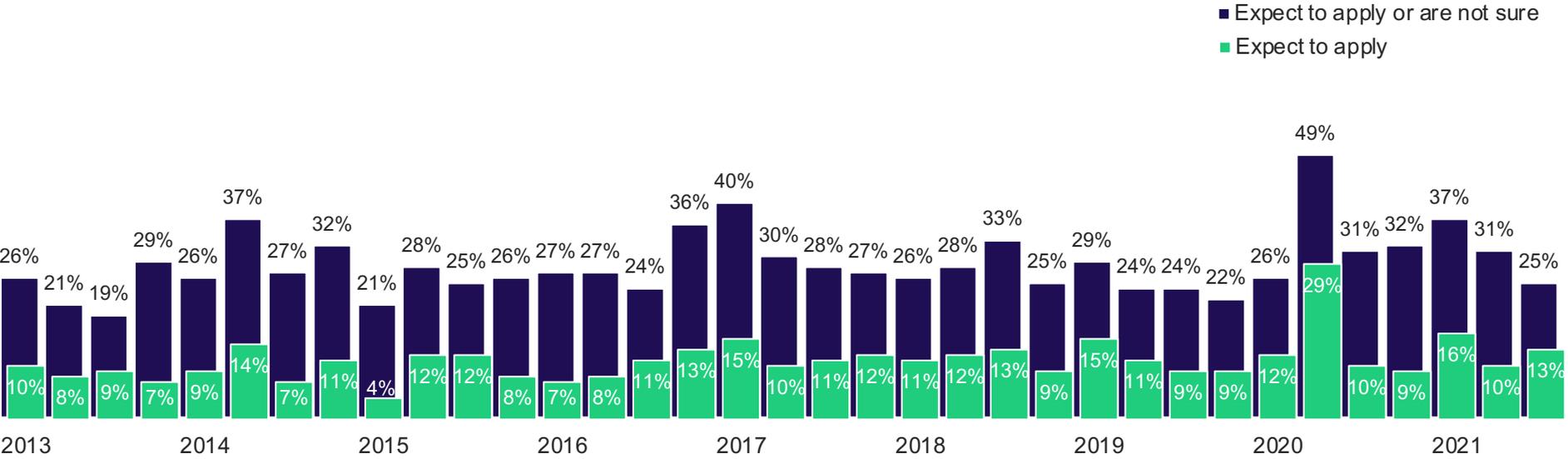
TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



\$100K-<\$10MM
 *Base: those that applied for additional credit
 BusinessPulse 3Q2021 Data

The percent of small businesses that expected to apply for additional credit or were unsure has trended down since the beginning of the year

SMALL BUSINESS EXPECTED APPLICATIONS
Next 12 months

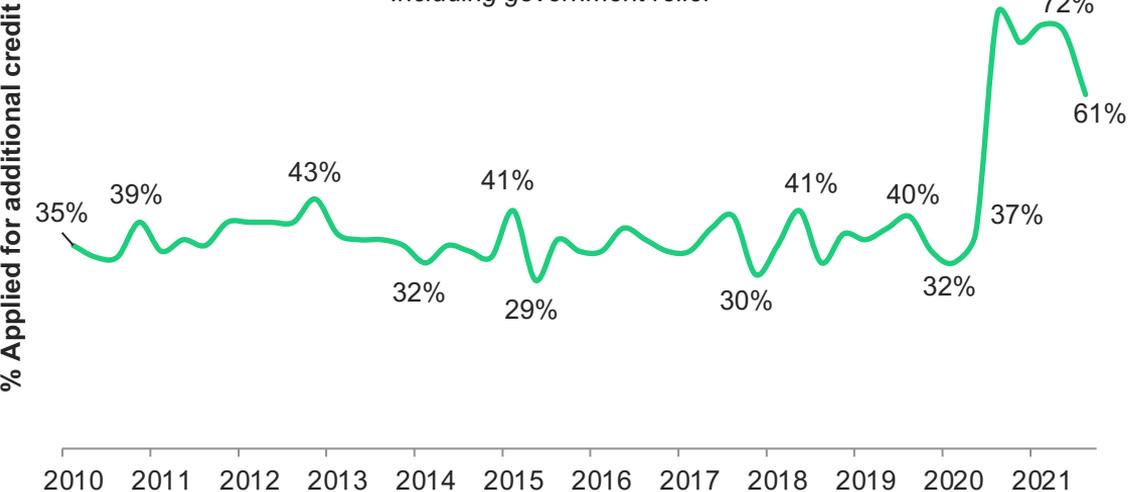


Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$100K-<\$10MM
 BusinessPulse Quarterly Trending Data (3rd quarter)

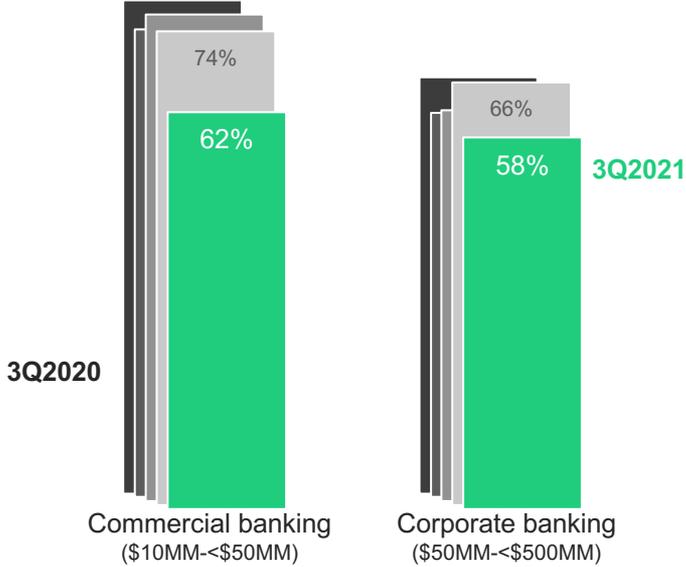
Middle market demand for additional credit has begun to decrease, indicating that many middle market companies applied for PPP loans over a year ago

MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT
Past 12 months

ADDITIONAL CREDIT APPLICATION TREND
Including government relief



CHANGE FROM 3Q2020



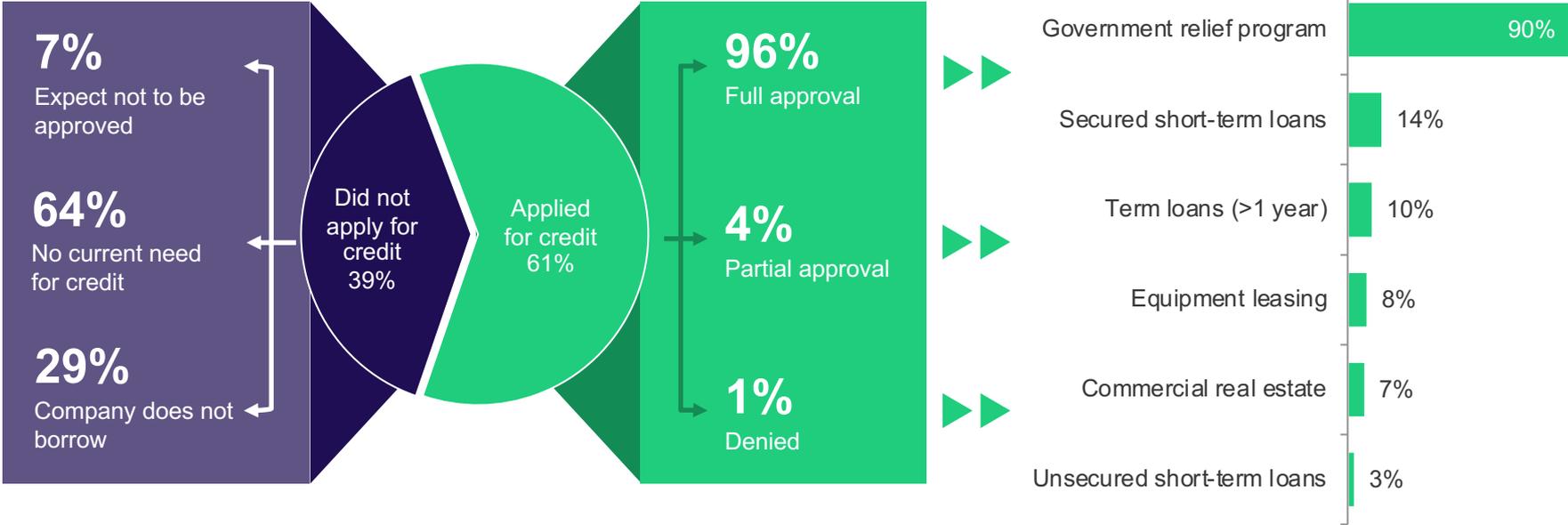
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution, including any government programs through a financial institution such as the Paycheck Protection Program (PPP)?

\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (3rd quarter)

With very few middle market companies denied or not applying because they expected to be denied, credit quality does not appear to be an issue

MIDDLE MARKET CREDIT APPLICATION OUTCOME

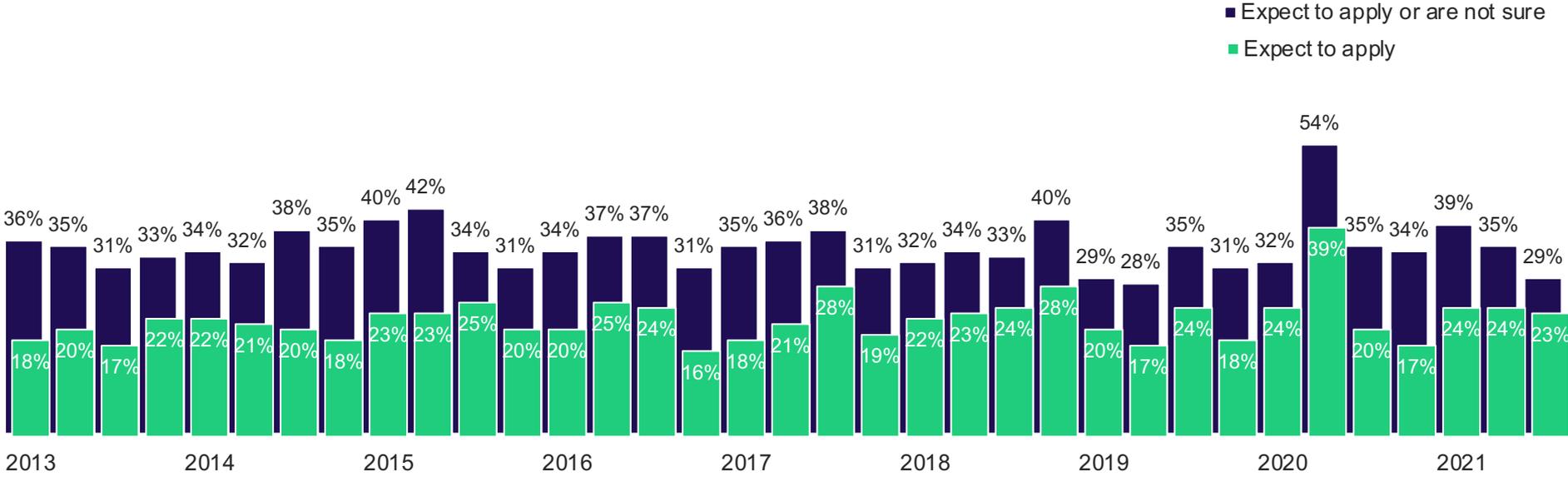
TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



\$10MM-~\$500MM
 *Base: those that applied for additional credit
 BusinessPulse 3Q2021 Data

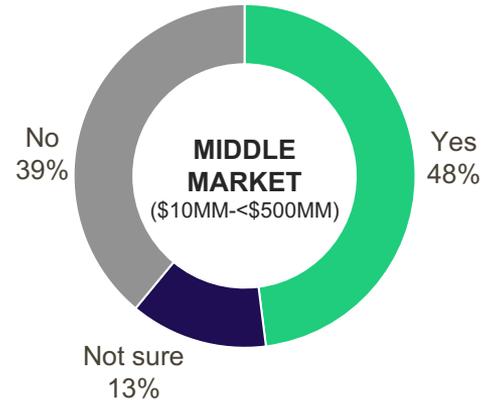
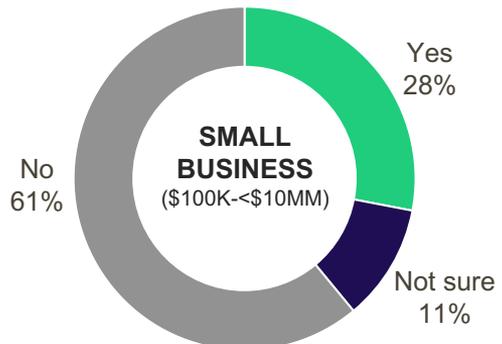
Like small businesses, fewer middle market companies expected to apply for additional credit or were unsure compared to the beginning of the year

MIDDLE MARKET EXPECTED APPLICATIONS
Next 12 months

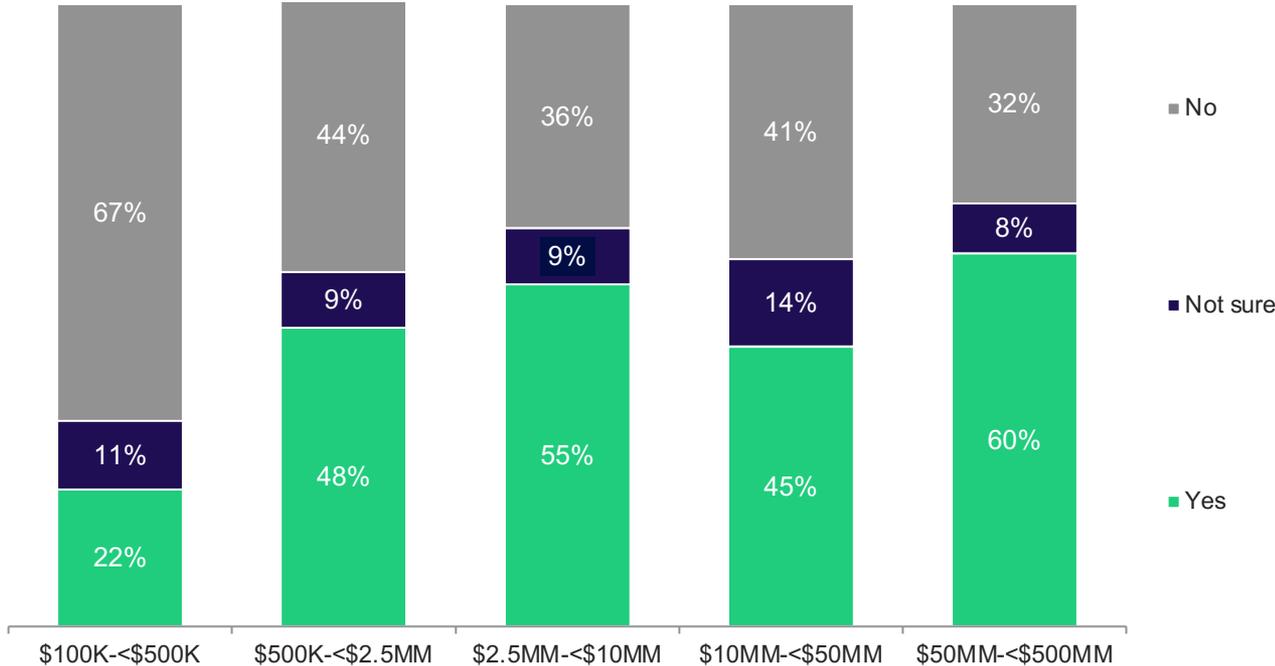


Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (3rd quarter)

Few micro businesses (\$100K-<\$500K) had a succession plan



SUCCESSION PLAN



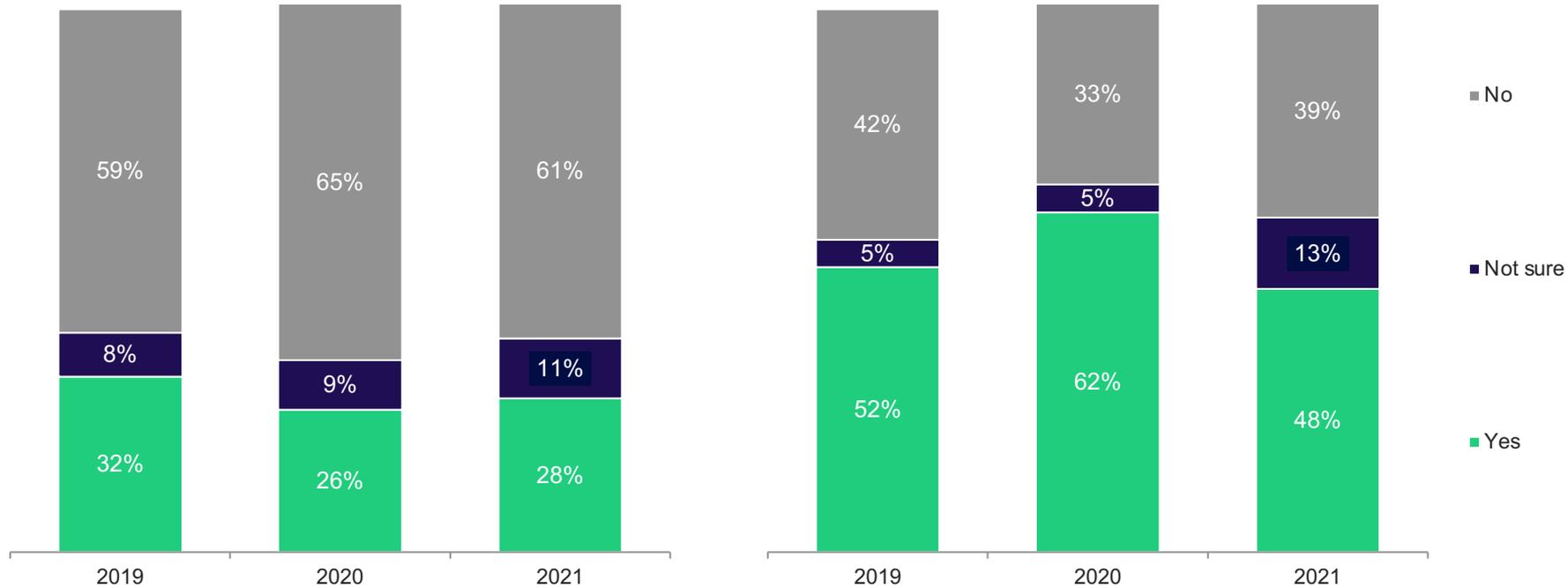
Q: Does your company have a succession plan (e.g., sell, merge, be acquired, transition ownership, liquidation, etc.)?
BusinessPulse Third Quarter 2021 Data

Middle market companies were less likely to have a succession plan in 2021

SUCCESSION PLAN

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

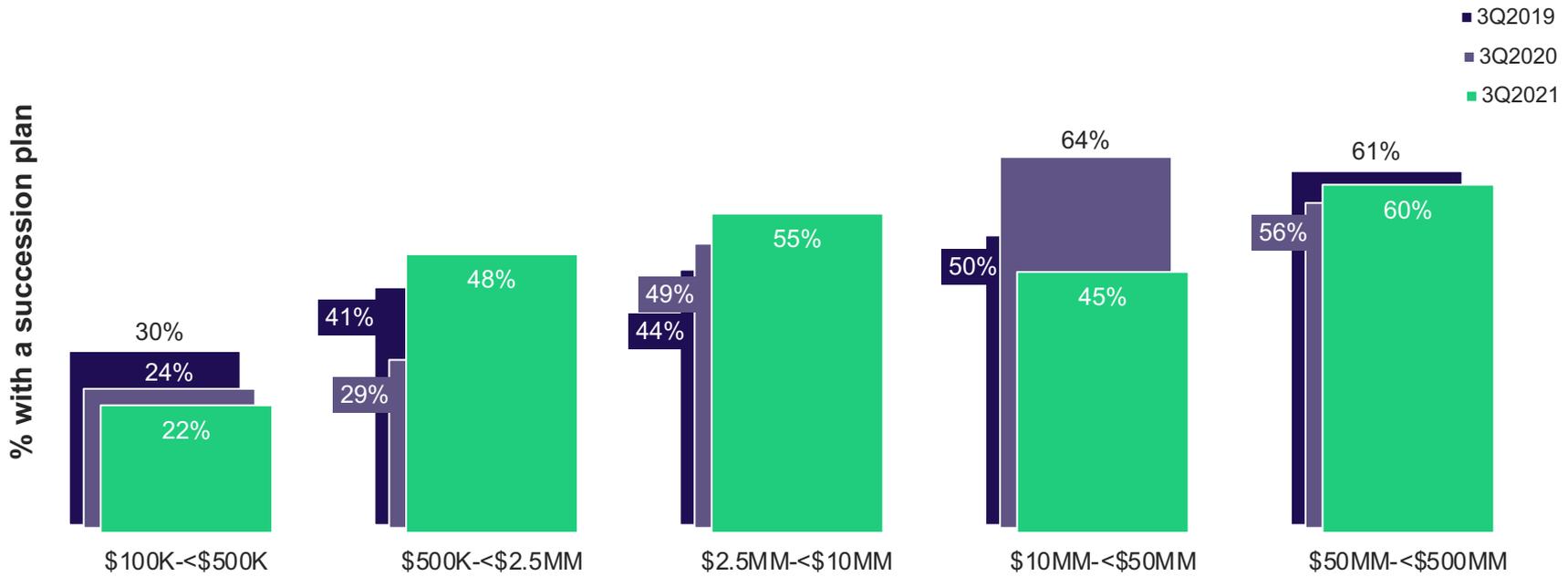
MIDDLE MARKET
(\$10MM-<\$500MM)



Q: Does your company have a succession plan (e.g., sell, merge, be acquired, transition ownership, liquidation, etc.)?
BusinessPulse Third Quarter Trending Data

Companies with \$10MM-<\$50MM in sales were substantially less likely to have a succession plan compared to 2020

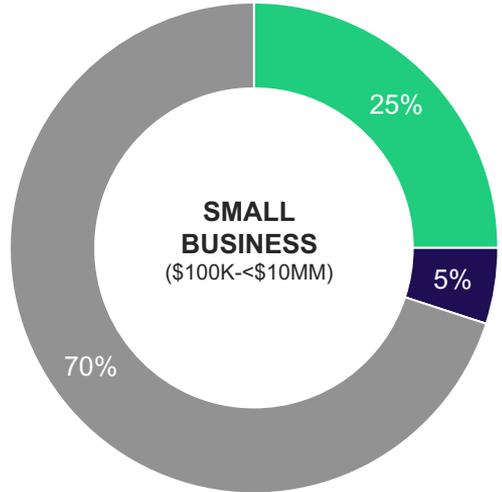
SUCCESSION PLAN



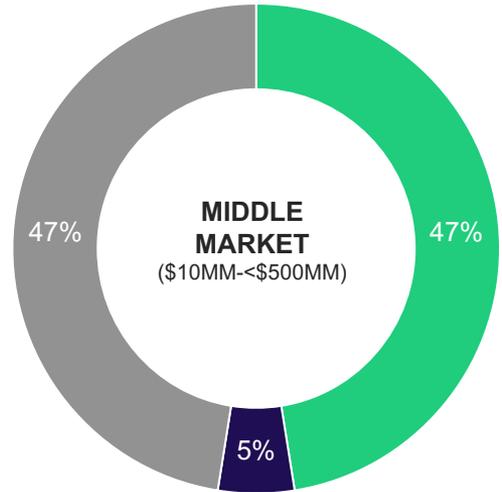
Q: Does your company have a succession plan (e.g., sell, merge, be acquired, transition ownership, liquidation, etc.)?
BusinessPulse Third Quarter Trending Data

Many businesses have taken the first step to prepare for a transition in ownership

TAKEN STEPS TO PREPARE FOR AN OWNERSHIP TRANSITION



- Yes
- Not sure
- No



Q: Has your business taken any steps to begin preparing for a transition in company ownership?
BusinessPulse Third Quarter 2021 Data

Methodology

This BusinessPulse report contains data from surveys conducted in the third quarter of 2021 by Barlow Research, involving a sample of 453 small businesses and 345 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.)

Fielding	July 4 – July 20, 2021	
Weighted	By geography and sales volume	
	Small business (\$100K-<\$10MM)	Middle market (\$10MM-<\$500MM)
Respondents	453	345
Resp. Rate	39.7%	29.9%
Max Error Factor (at 95% confidence interval)	±4.60%	±5.28%

