



Small Business Outlook

America's small businesses are starting to recover



“Despite the ongoing challenges of the pandemic, small business spending has rebounded significantly. Small businesses are far less likely to be delinquent on their credit cards, but this is primarily due to remaining uncertainty around the pandemic that has kept small businesses from borrowing more on their credit cards.”

Wayne Best
Chief Economist, Visa Inc.

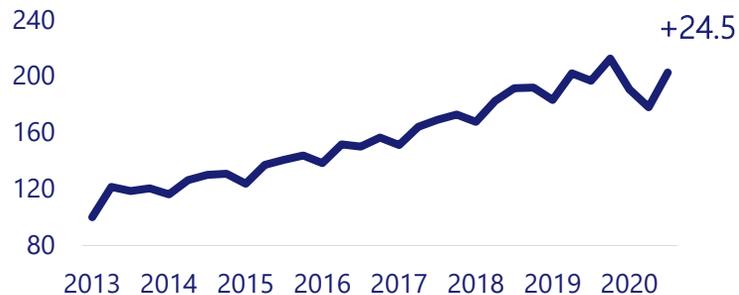
- After two straight quarters of small business spending falling sharply, spending on small business cards had a significant rebound in the third quarter (+24.5), according to the Visa Small Business Spending Index. The ability for many small businesses to reopen hinged on investing in materials to prevent COVID spread, such as plexiglass dividers in restaurants. Despite revenues remaining low, many small businesses ramped up spending to be able to open their businesses safely.
- Outstanding balances on Visa small business credit cards slid for the third consecutive quarter (-1.9). Although small businesses are spending, they are also wary of taking on any new revolving debt while revenues remain far below pre-pandemic levels.
- While charge-offs increased modestly in the third quarter (+1.3), delinquencies plummeted (-15.9). As small businesses navigate this turbulent time, their hesitation to take on revolving debt has increased the share of credit card debt that remains current. Bank loans and federal assistance continued to be the preferred borrowing path for small businesses.

Small Business Health Indexes: Based on proprietary Visa small business card data (quarterly growth)

Small Business Spending Index



Payment volume on Visa business credit cards,* indexed to Q1-2013



Small Business Borrowing Index



Outstanding balances on Visa business credit cards,* indexed to Q1-2013



Small Business Risk Index



Delinquencies and charge-offs on Visa business credit cards,** indexed to Q1-2013



*Payment volume and balances per active account. **Percent of balances delinquent and charged-off. See methodology notes on page 3 for more details



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- In September, five percent fewer firms expected better credit conditions relative to those that did not think conditions would get better, according to a survey by the National Federation of Independent Businesses. This was a 1 percentage point decline from August, and a 4 percentage point decline from the pre-pandemic peak in February. Despite low interest rates, issuers remain restrained in issuing more credit to small businesses as new spikes in COVID threaten reopening plans of many states.
- The net percentage of firms reporting that getting credit was more difficult than the previous time they tried to get credit increased to 2 percent in September, up from 1 percent in August. Historically, a higher share of small businesses report that credit was harder to get last time than what we have seen recently.
- Despite an increase in small businesses reporting that credit was harder to get previously and fewer expecting better credit conditions, more small businesses had their borrowing needs met in September. Firms reporting that their borrowing needs were met increased 2 percentage points from August to 33 percent and the share of firms reporting that their borrowing needs were not met fell 1 percentage point from August to 2 percent in September. Federal government assistance has been integral to meeting the borrowing needs of many small businesses.

Small Business Credit Conditions: Based on small business survey data (last value)

Small Business Credit Expectations



Net percentage of firms expecting credit conditions to get better



Small Business Credit Access



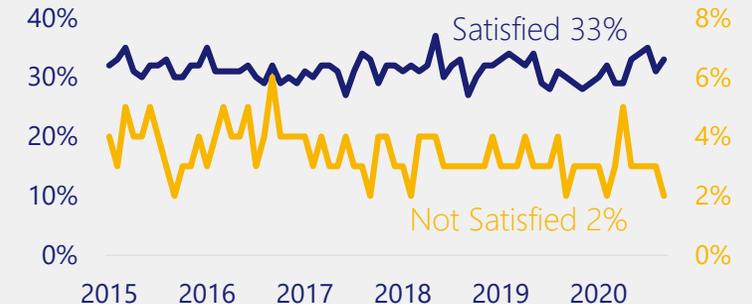
Net percentage of firms reporting credit was harder to get last time



Small Business Borrowing Needs



Percentage of firms reporting whether their borrowing needs have been satisfied in the last 3 months or not





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► Methodology

Except where otherwise noted, statements herein are based on:

- Visa Small Business Health Indexes, pulled from proprietary Visa data indexed to Q1 of 2013 and calculated as follows:
 - Spending Index: Changes in spending per spend-active small business credit card account
 - Borrowing Index: Changes in balances per balance-active small business credit card account
 - Risk Index: Changes in share of balances delinquent and balances charged-off in a quarter on Visa small business credit cards
- The National Federation of Independent Businesses (NFIB) conducts a survey based on a random sample of 1,300 to 1,800 small businesses on the NFIB membership list. The survey form is mailed to them on the first day of every month.

For any further questions on this report please contact your Visa Account Executive.



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