



# Small Business Outlook

America's small businesses are starting to borrow again

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*“One year after the start of lockdowns due to the COVID-19 pandemic, small business spending is near pre-pandemic levels, borrowing is starting to recover, and small business card delinquencies are at the lowest point since we began tracking them. While there is still a long road ahead for small businesses, there is reason for optimism.”*

**Wayne Best**  
Chief Economist, Visa Inc.

- Small business spending in the first quarter of 2021 dipped 9.5 points quarter-over-quarter (QoQ), according to the Visa Small Business Spending Index. Despite the two stimulus bills passed during the first quarter that included small business relief and fewer restrictions thanks to vaccine deployment, weaker than expected sales for small businesses has caused many firms to pull back on spending until a higher level of demand returns.
- Outstanding balances on Visa small business credit cards rose slightly in the first quarter, causing the Visa Small Business Borrowing Index to increase 1.3 points QoQ. While small business borrowing remains far below pre-pandemic levels (down 11.3 points from Q4-2019), recent survey data from the Federal Reserve indicated that by the end of the first quarter there were nearly 20 percent fewer lenders saying they had tightened credit standards for small businesses compared to Q4-2020.<sup>1</sup> Furthermore, the Q2-2021 survey indicates that more lenders are loosening credit standards for small businesses than tightening them, suggesting that small business borrowing should continue to recover throughout 2021.
- Both delinquencies and charge-offs fell in the first quarter. Small business delinquencies are now at an eight-year low, which is a testament to the strong support the government has provided to small businesses during this pandemic.

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

### Small Business Spending Index



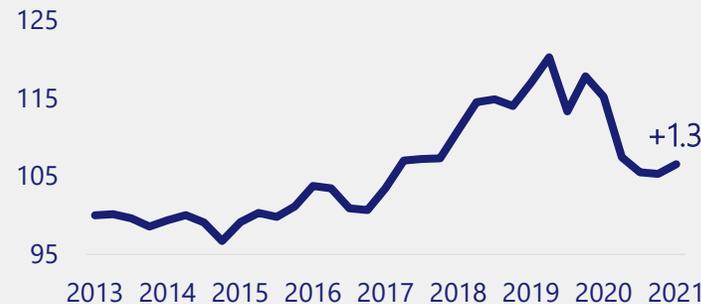
Payment volume on Visa business credit cards,\* indexed to Q1-2013



### Small Business Borrowing Index



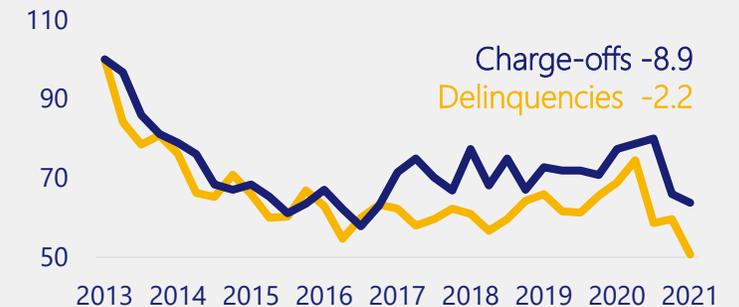
Outstanding balances on Visa business credit cards,\* indexed to Q1-2013



### 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

<sup>1</sup>Federal Reserve Senior Loan Officer Survey



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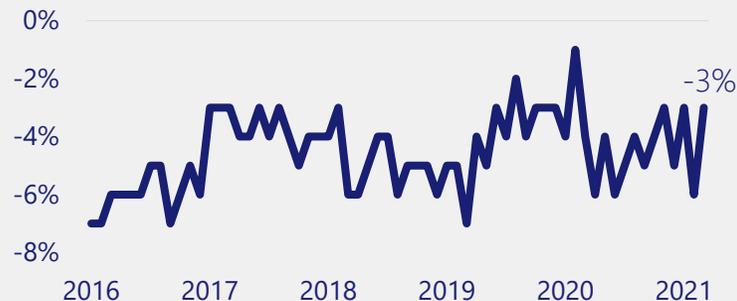
- According to a survey by the National Federation of Independent Businesses, firms expecting better credit conditions increased by 4 percentage points in March relative to December. The March reading, -3 percent, was also 1 percentage point higher than at this point last year. Thanks to the success of vaccination efforts, federal and state governments have loosened pandemic related restrictions on businesses. As a result, issuers have become more likely to issue credit to small businesses.
- The net percentage of firms reporting that getting credit was more difficult than the previous time they tried to get credit decreased to 1 percent in March, tying a five-year low. This indicator is down 2 percentage points YoY, which indicates that lenders are becoming far more accommodating to small businesses seeking credit.
- Between December and March, firms reporting that their borrowing needs were met rose 1 percentage point to 27 percent, while the share of firms reporting that their borrowing needs were not met fell 1 percentage point to 2 percent. Borrower satisfaction and dissatisfaction are both near five-year lows, mostly because small businesses are relying more on government aid and loans for their financing needs. As business restrictions continue to loosen, the government will become less involved in small business lending. Additionally, lenders will feel even more confident in lending next quarter. This should lead to a rebound in small business borrower satisfaction back to levels above 30 percent at some point during 2021.

## 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



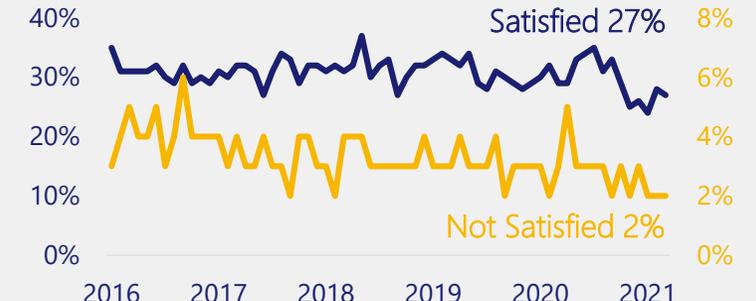
Net percentage of firms reporting credit was harder to get last time



### 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.



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Visa Business and Economics Insights  
Spring 2021

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