



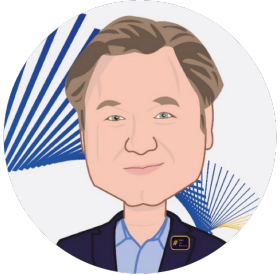
Small Business Outlook

America's small business spending surges in Q2 to meet consumer demand.

Visa Business and Economics Insights
Summer 2021

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"The broad-based reopening has led small businesses to feel very empowered to spend. Additionally, the spending has been prudent as small business card delinquencies and charge-offs are at the lowest point since we began tracking them. However, borrowing is proving slow to recover due, in part, to government relief programs filling that role."

Wayne Best
Chief Economist, Visa Inc.

- Small business spending in the second quarter of 2021 surged 32.4 points quarter-over-quarter (QoQ) and 56 points year-over-year (YoY), according to the Visa Small Business Spending Index. Consumer demand also surged in Q2 due to a large-scale rollback of COVID-19-related restrictions, which contributed to small businesses being more comfortable and able to spend. However, part of the rise in spending was due to the elevated inflation rate for inputs that small businesses needed.
- Outstanding balances on Visa small business credit cards rose for the second consecutive quarter, leading the Visa Small Business Borrowing Index to rise 2.5 points QoQ and 1.6 points YoY. Small business borrowing remains far below pre-pandemic levels (down 8.8 points from Q4-2019), mostly due to the large amount of small business relief and government stimulus disincentivizing borrowing from traditional sources. These programs will end in early 2022, which could spur more demand for borrowing from traditional sources if small businesses are able to weather the new Delta variant challenges.
- Both delinquencies and charge-offs fell drastically in the second quarter. Small business delinquencies and charge-offs are both at an eight-year low. Strong sales and relief efforts have helped a large share of small businesses deleverage and remain current on their card payments. The dissipation of stimulus and relief effects could push these indicators back up next year.

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

Small Business Spending Index



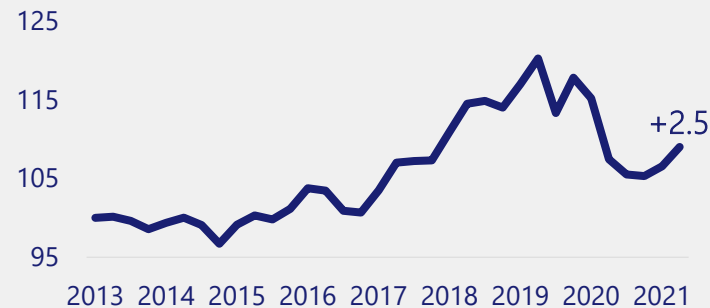
Payment volume on Visa business credit cards,* indexed to Q1-2013



Small Business Borrowing Index



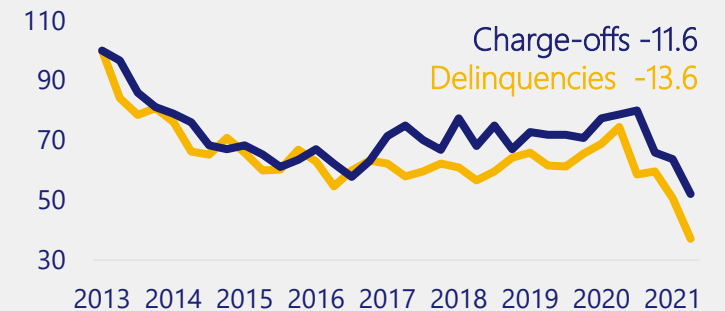
Outstanding balances on Visa business credit cards,* indexed to Q1-2013



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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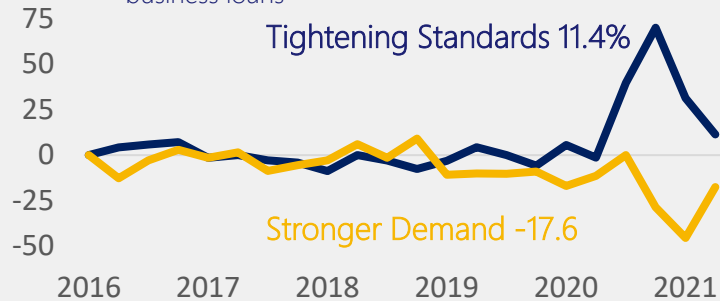
- According to a survey by the Federal Reserve Bank, the net percentage of senior loan officers reporting that they were tightening lending standards for loans to small businesses fell precipitously QoQ. This trend has continued into Q3, and we expect that more lenders will be relaxing standards than tightening them for the rest of the year, which should lead to an increase in the supply of loans to small businesses. Additionally, the survey showed many more senior loan officers reporting stronger demand for small business loans than in Q1. Initial Q3 numbers have shown this trend continuing as well, which is good news for a recovery in small business lending.
- The percentage of firms reporting that they have borrowed at least once in the quarter finished flat in Q2 compared to the end of Q1. Despite the increase in interest for loans, many small businesses are not actually borrowing. Firms are likely still hesitant to borrow as the recovery is just beginning and the Delta variant presents new challenges for the future. Furthermore, they are already having issues hiring, so without sufficient staff they could be holding off on borrowing to expand their business until they can hire the required staff to do so.
- Firms reporting that their borrowing needs were met fell 2 percentage points to 25 percent QoQ, while the share of firms reporting that their borrowing needs were not met rose 1 percentage point to 3 percent. These results suggest that some firms are frustrated with tight lending standards from financial institutions and may be more likely to choose more flexible Small Business Administration loans instead.

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

Small Business Loan Supply and Demand



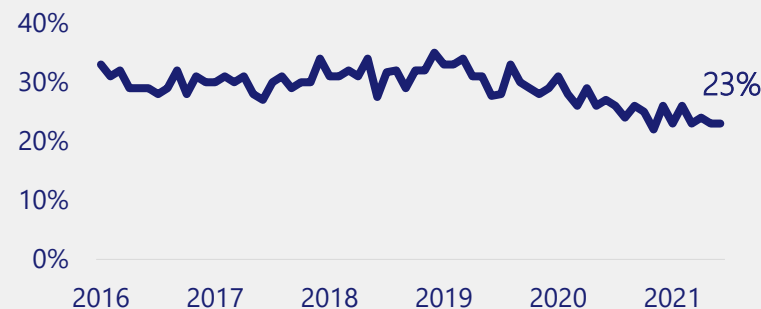
Net percentage of loan officers reporting tighter loan standards and stronger demand for small business loans



Small Business Borrowing Activity



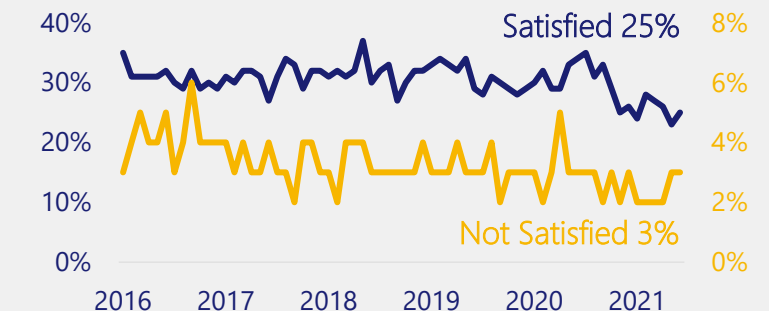
Percentage of firms borrowing at least once a quarter



Small Business Borrowing Needs



Percentage of firms reporting whether their borrowing needs have been satisfied in the past 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.
- The Senior Loan Officer Survey conducts a survey based upon up to 80 large domestic banks and 24 U.S. branches and agencies of foreign banks. Questions cover changes in the standards and terms of the banks' lending and the state of business and household demand for loans.



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