

# Small Business Chartbook

BBVA Research USA

Houston, TX

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## Key Messages

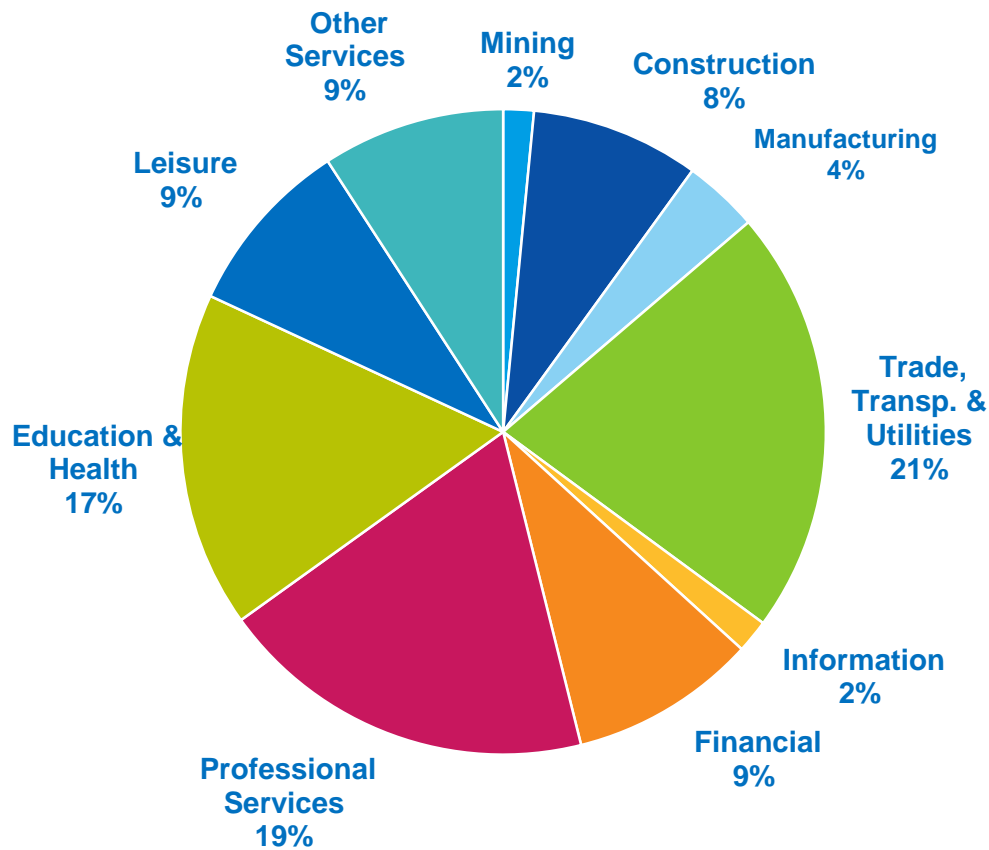
- Small business formation continues to improve
- Construction, leisure and professional services support employment growth
- Real estate, healthcare, finance and professional services show strong performance
- Healthy balance sheets and better financial conditions encourage borrowing
- Regulation and fiscal policy remain the main concerns
- Vigorous small business activity in the West, Midwest and some states in the South

# Establishments

Robust pace of small business establishments growth

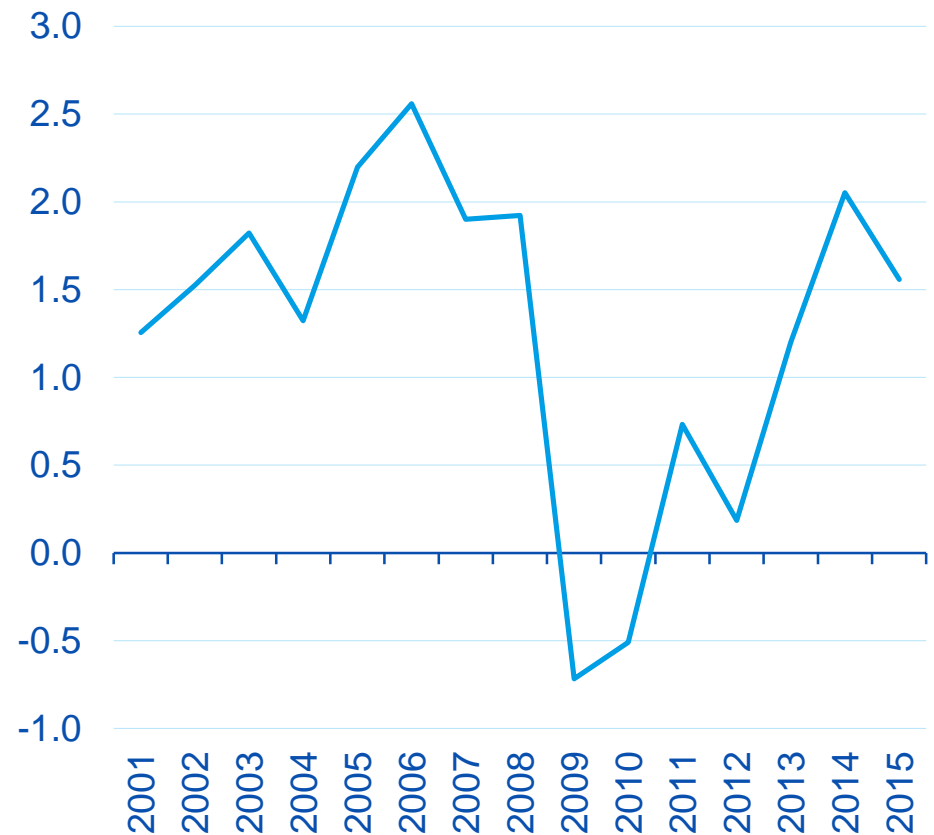
**Small Business Establishments by Industry**

Share of total



**Small Business Establishments**

Year-over-year % change, all industries

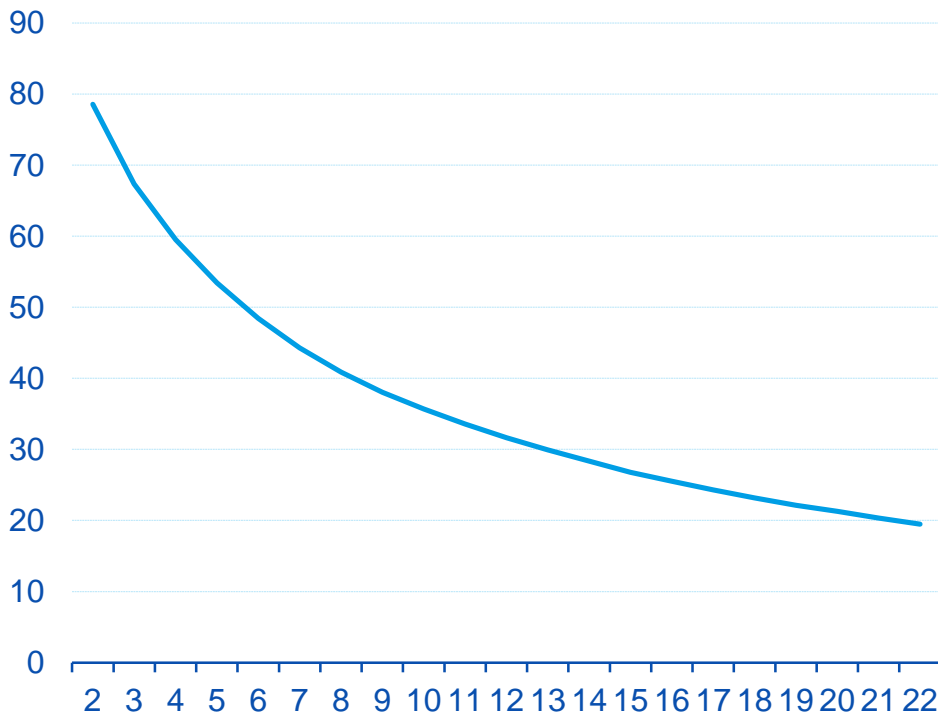


# Establishments

New private sector business establishments back to pre-crisis levels

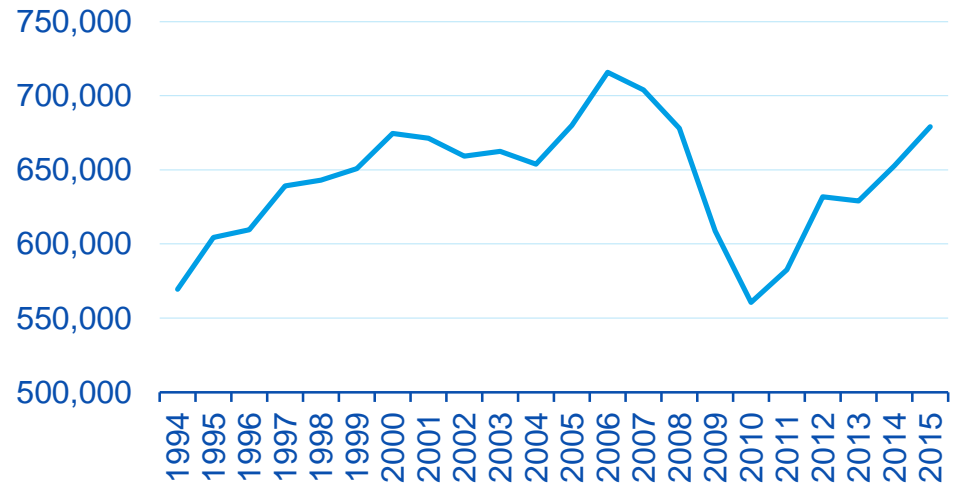
## Survival Rate

Years, average 1994-2015



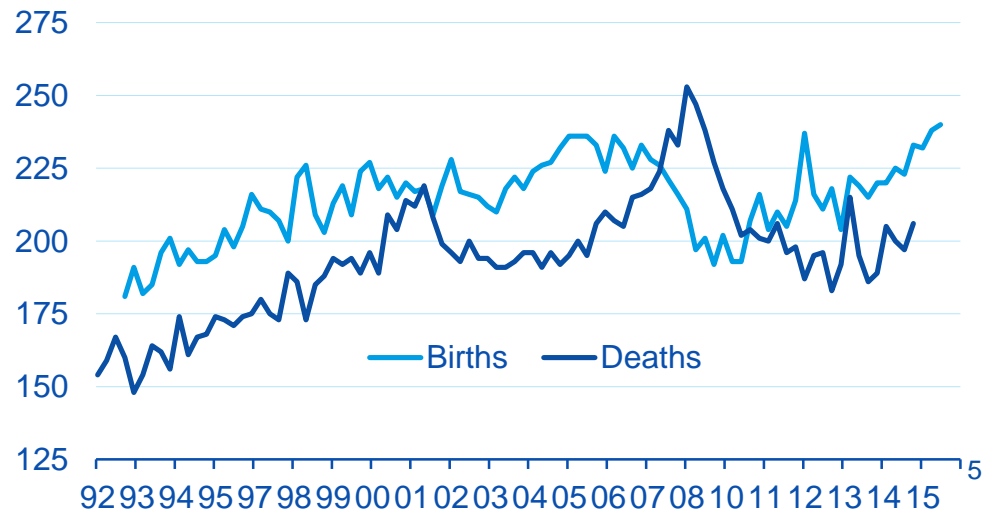
## Establishments less than one Year Old

Number



## Establishments Births and Deaths

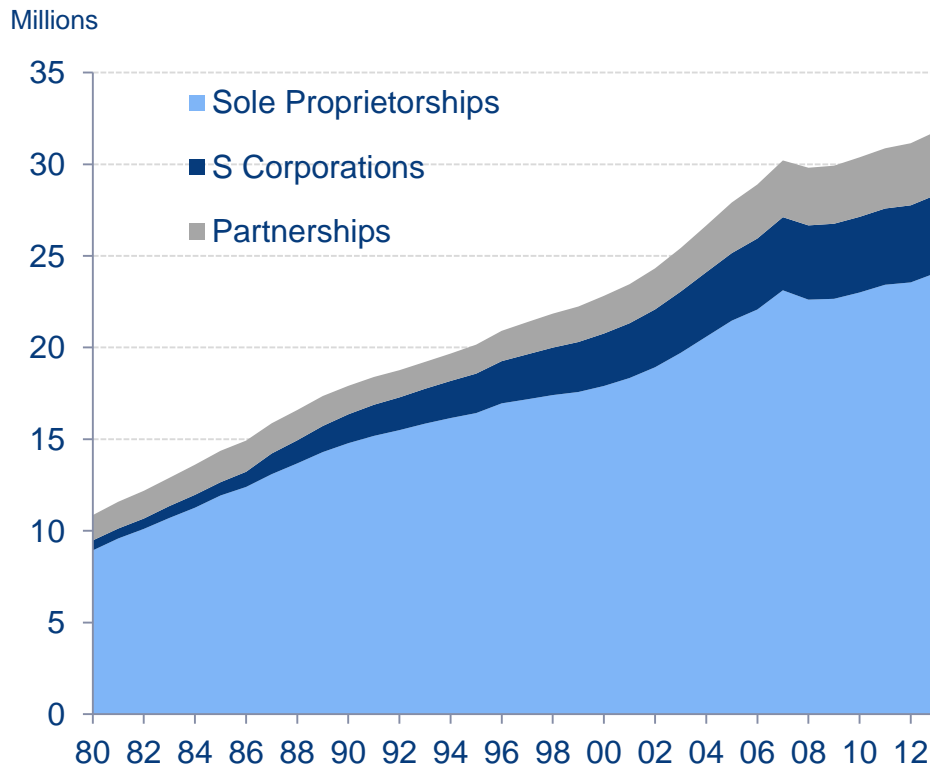
Thousands



# Form of Business

The vast majority of the ~28M of small businesses operate as sole proprietorships

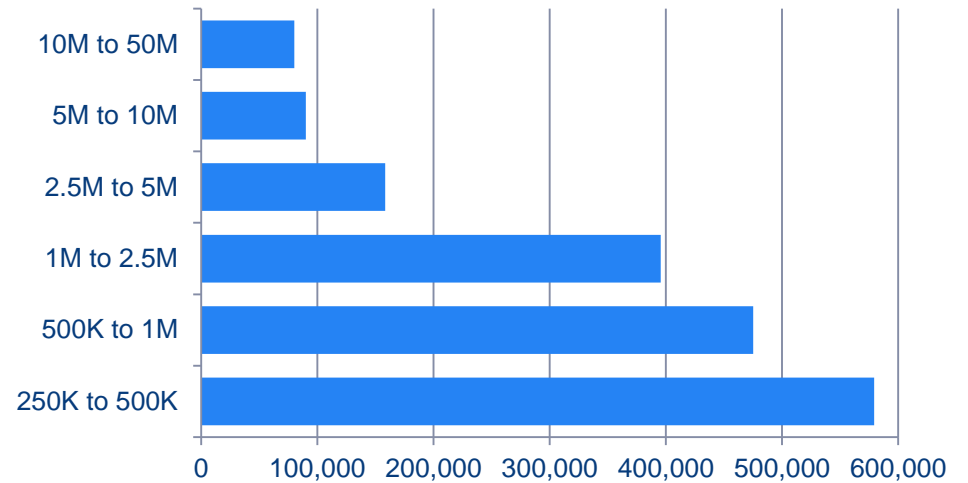
**Tax Returns by Form of Business**



Source: BBVA Research and IRS

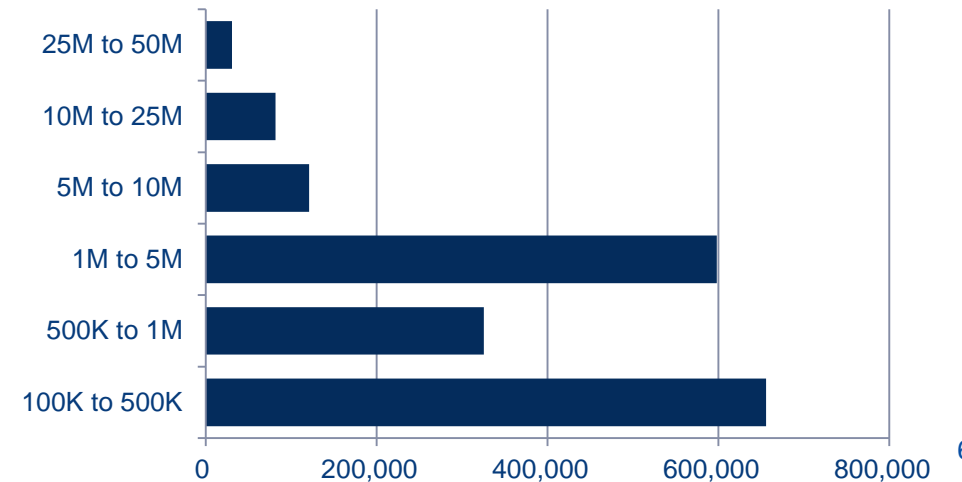
**S-Corp Tax Returns by Business Receipts**

US\$ and number



**Partnerships Tax Returns by Total Assets**

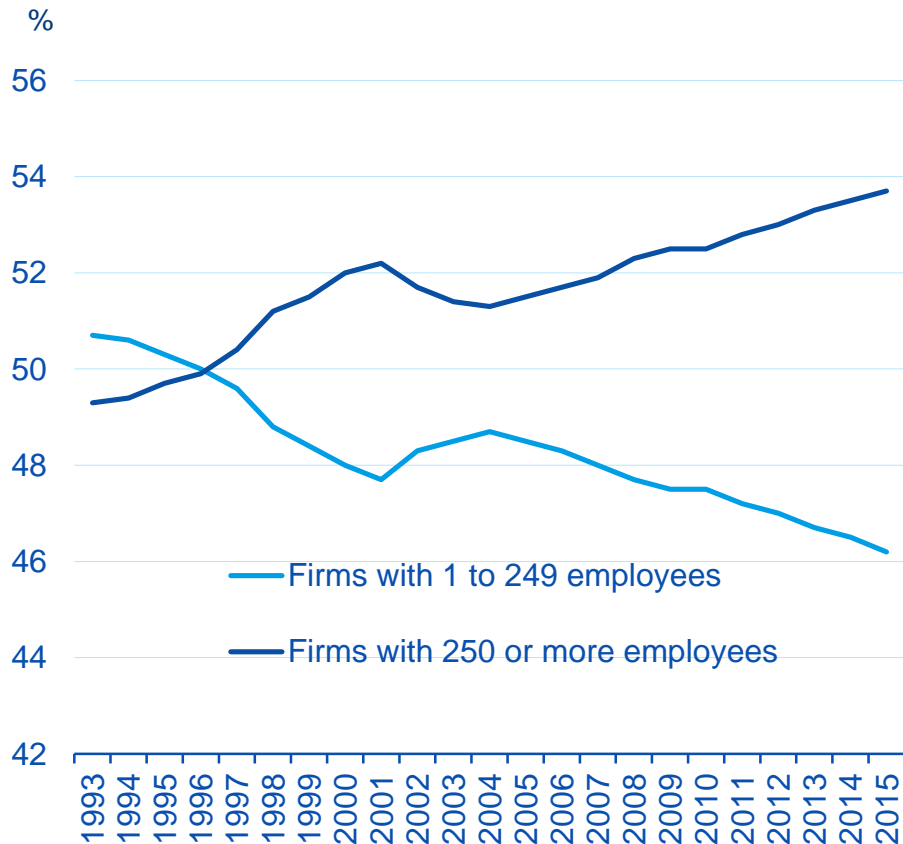
US\$ and number



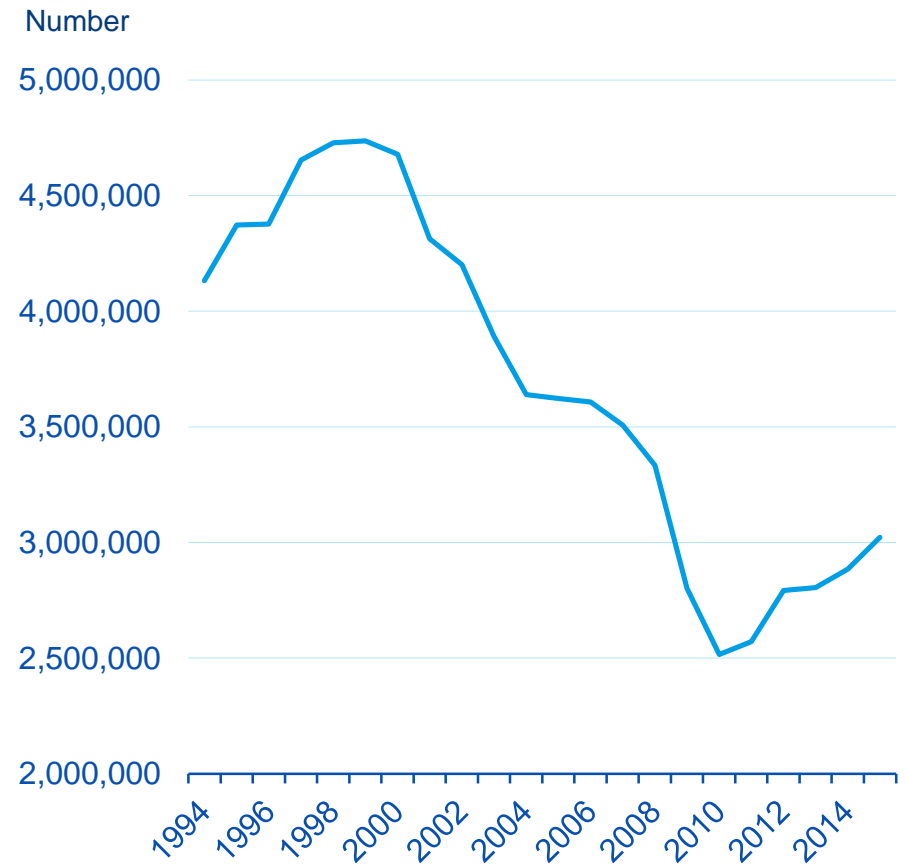
# Employment

Although small firms' share of employment continues to decline, job creation by new establishments is trending up

**Share of Employment by Firm Size**



**Jobs Created by Establishments less than 1yr Old**

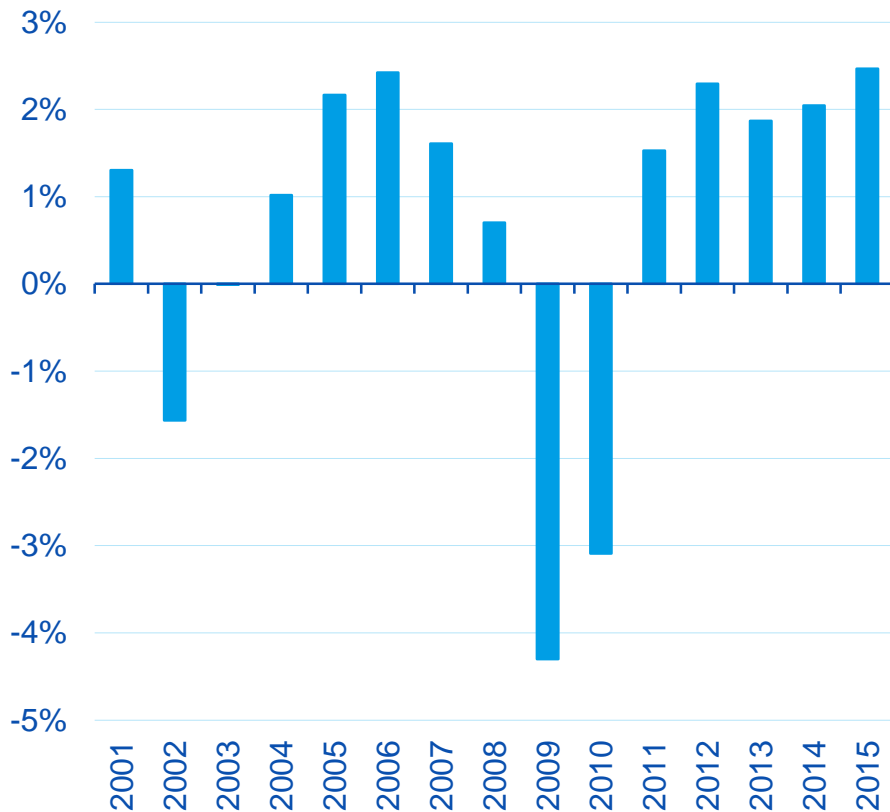


# Employment

Solid employment growth supported by construction, leisure and professional services

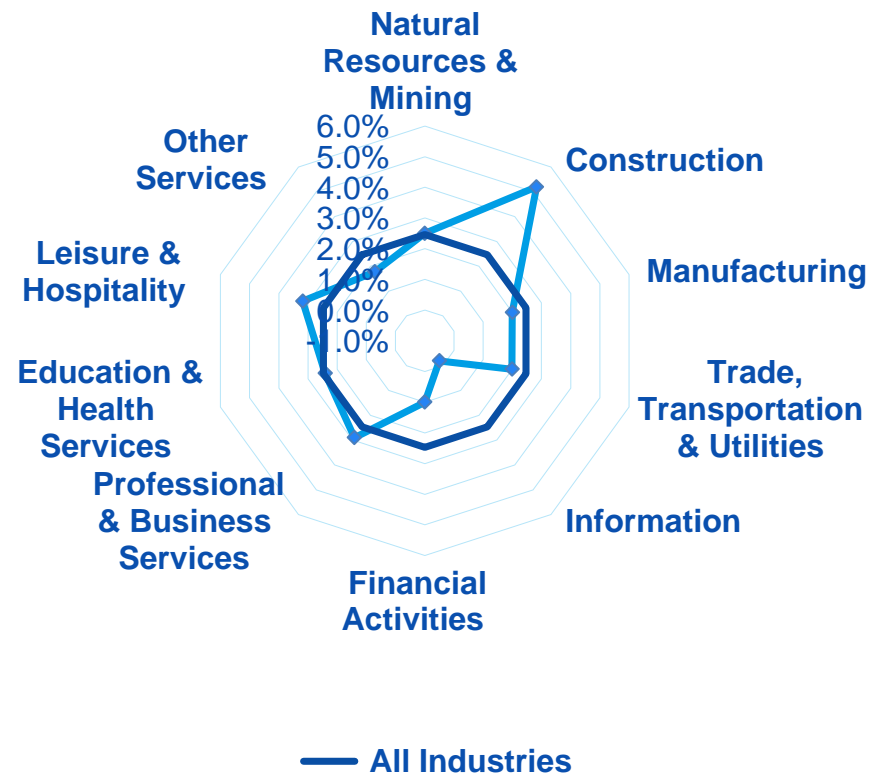
## Small Business Employment Growth

Year-over-year % change, all industries



## Small Business Employment Growth

Year-over-year % change

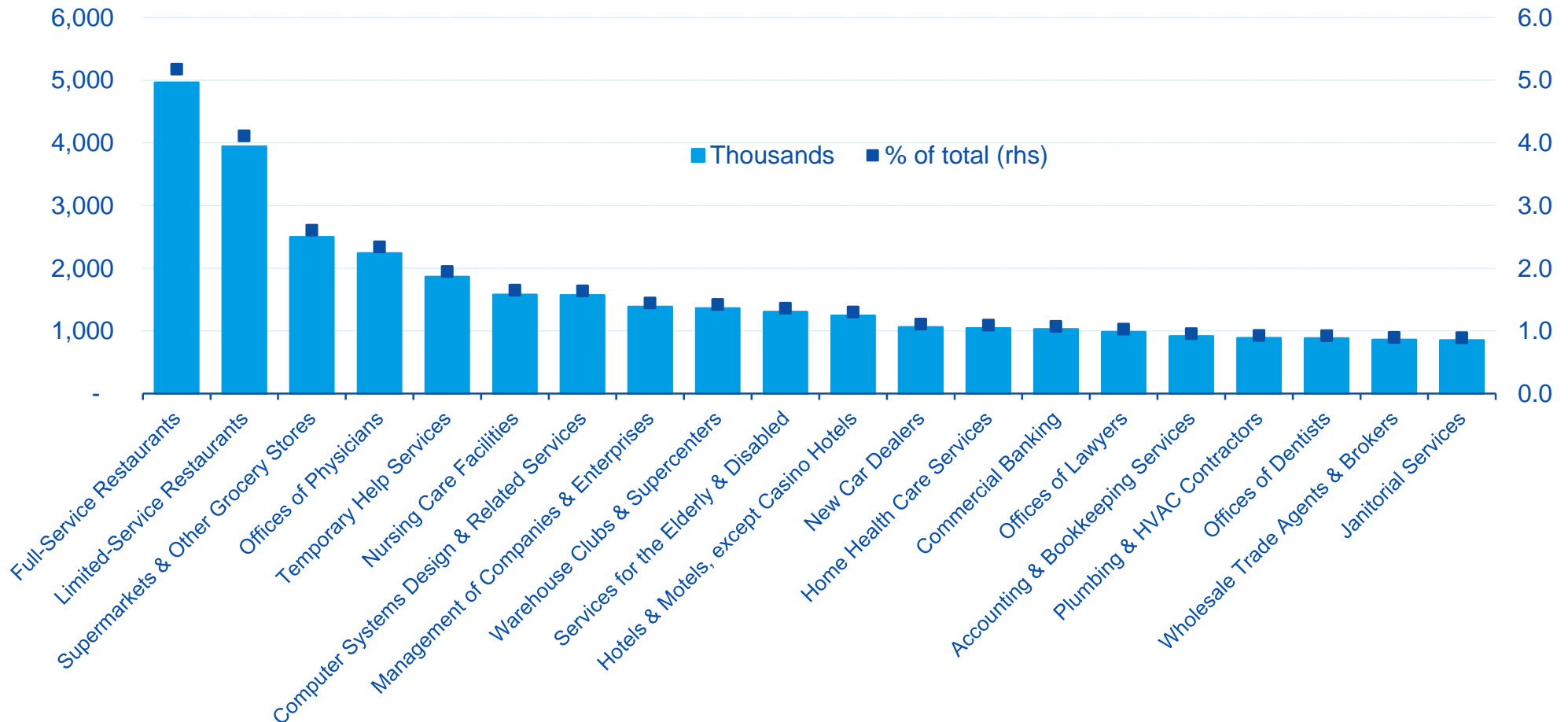




# Employment

Restaurants, retail and healthcare concentrate the largest portions of employment in establishments with less than 500 employees

Small Business Employment: Main Industries

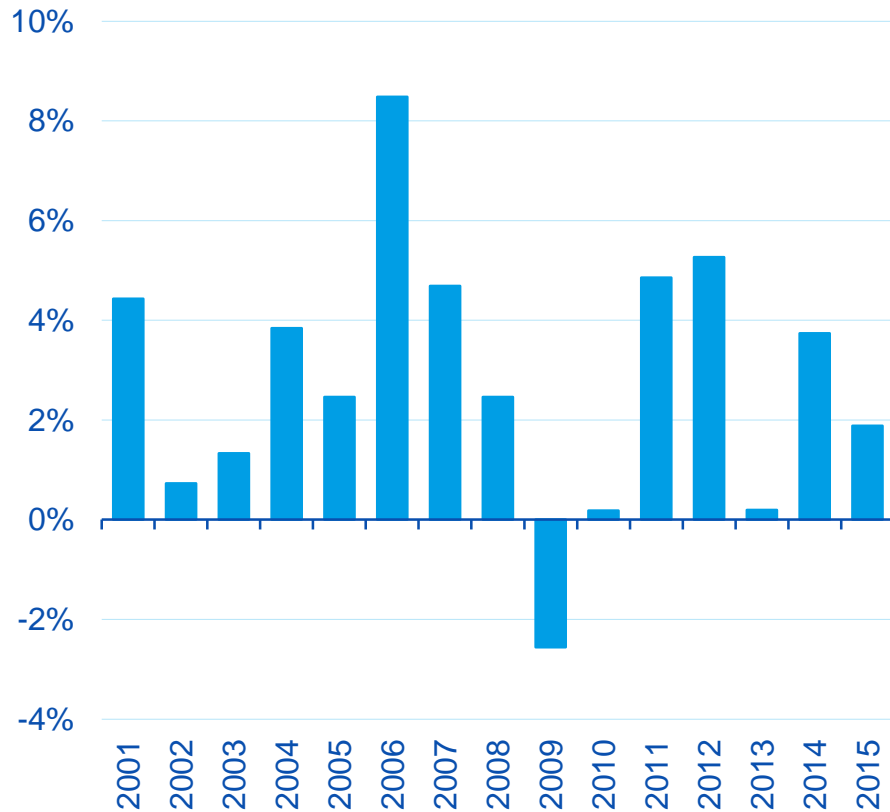


# Labor Costs

Faster wage growth in leisure and hospitality, financial activities and professional services

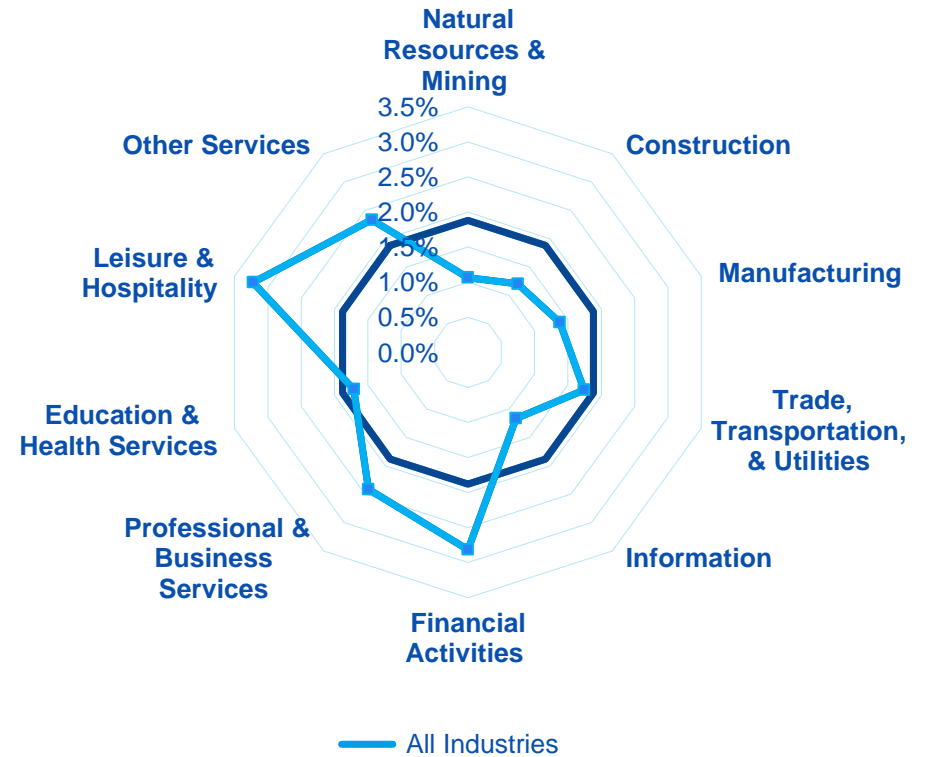
## Small Business Wages Growth

Year-over-year % change, all industries



## Small Business Wages Growth

Year-over-year % change

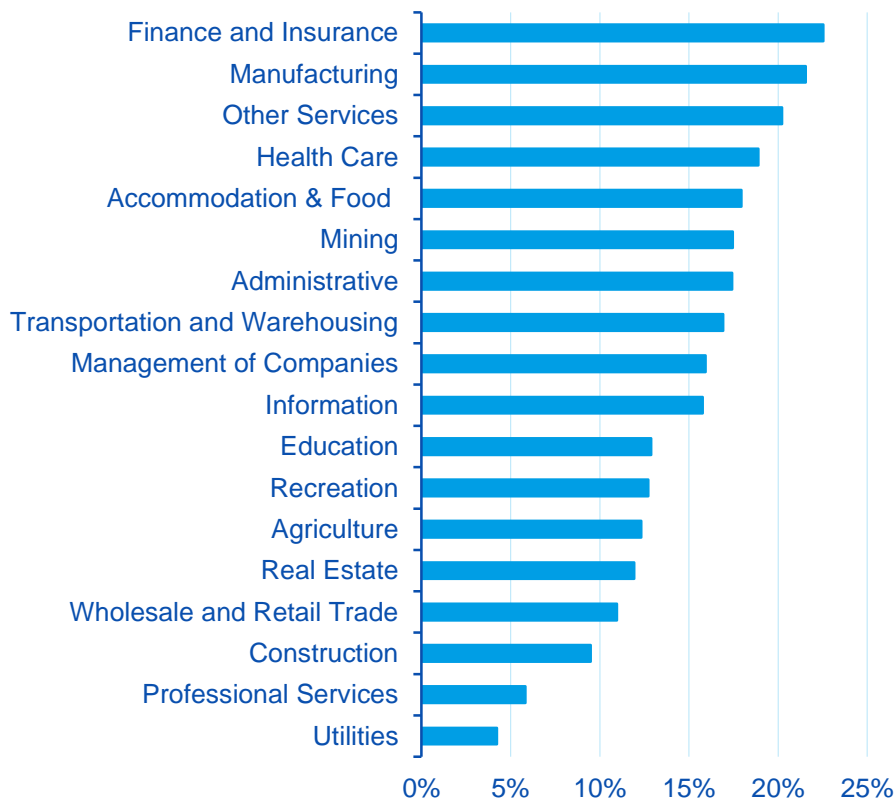


# Labor costs

Healthcare, accommodation and food services have some of the highest ratios of wages to gross income

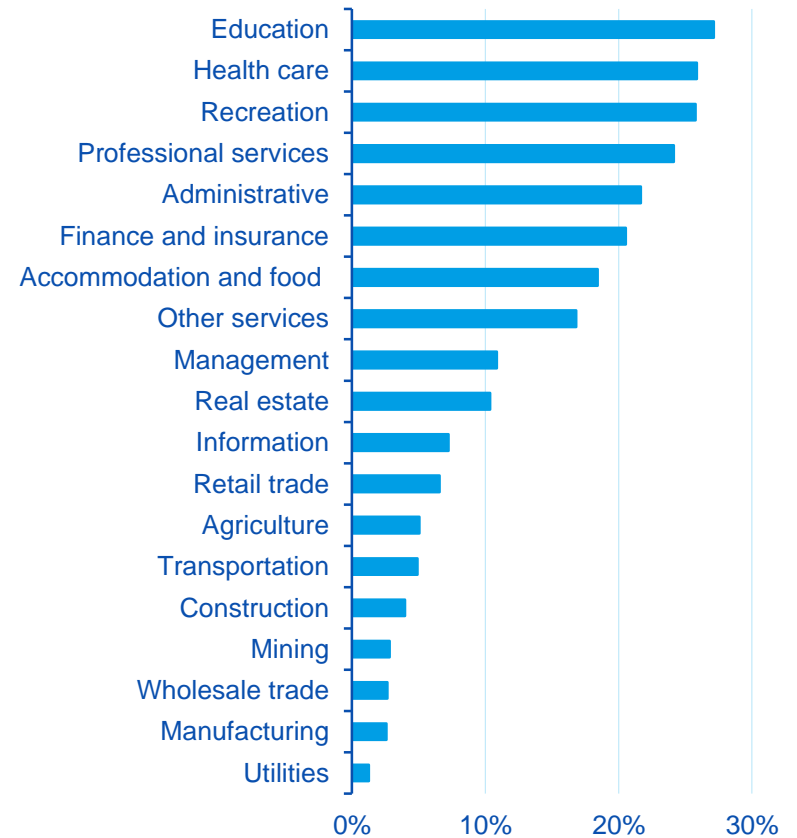
## S-Corps: Share of Wages by Industry

As % of receipts, last available



## Partnerships: Share of Wages by Industry

As % of receipts, last available

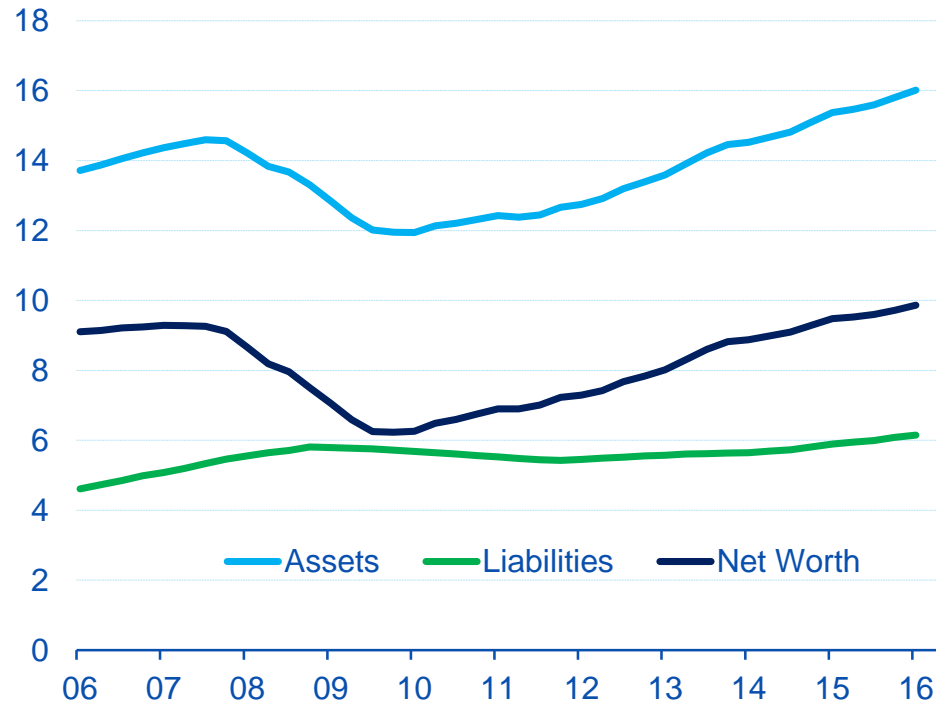


# Financial Conditions

Small businesses financial conditions continue to improve on the back of strong income growth and asset price appreciation

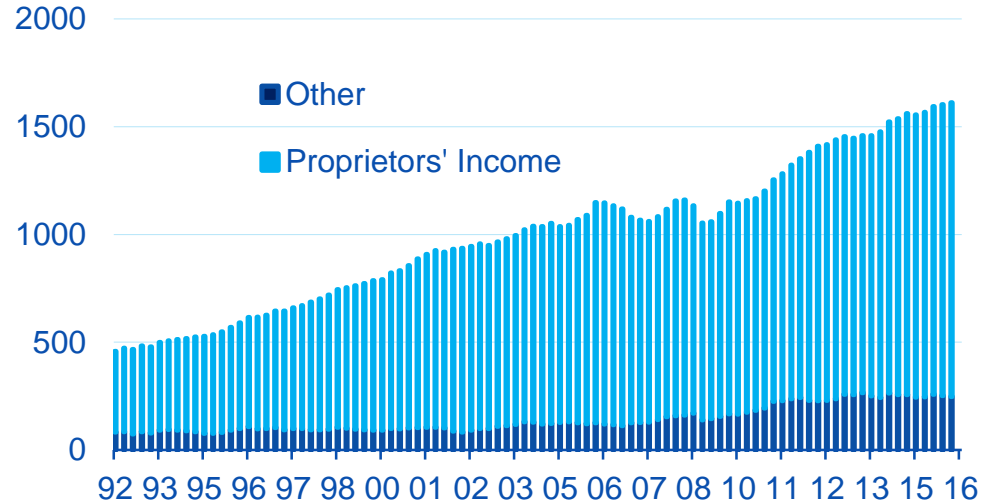
## Non-Corporate Balance Sheet

Constant US\$ tn



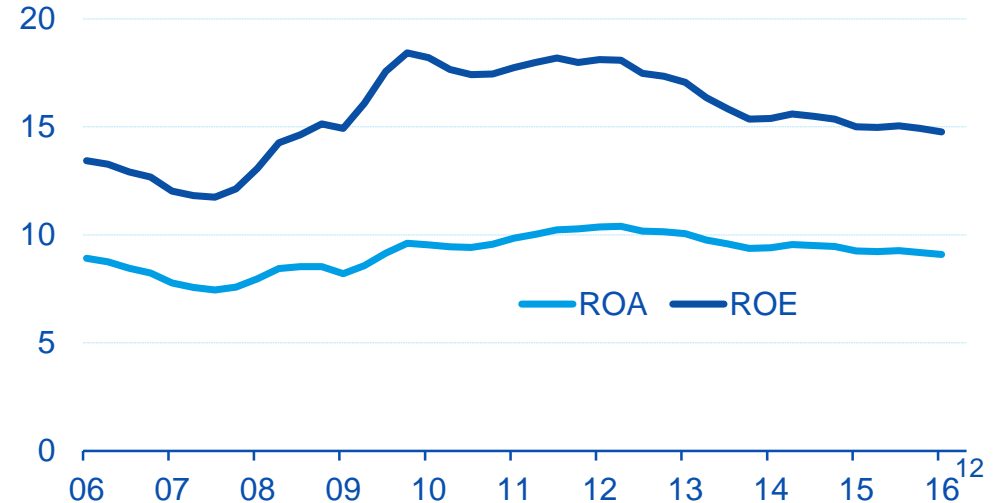
## Non-Corporate Net Income

Constant US\$ bn



## Non-Corporate Profitability

%

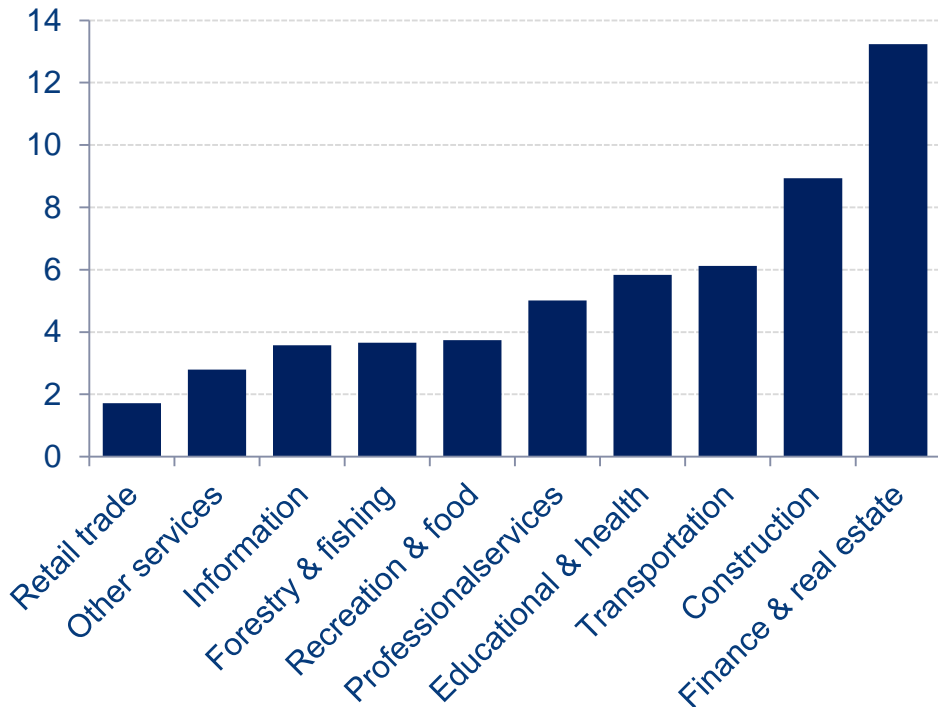


# Financial Conditions

Finance, real estate and construction are leading proprietor's income growth; mining continues under pressure

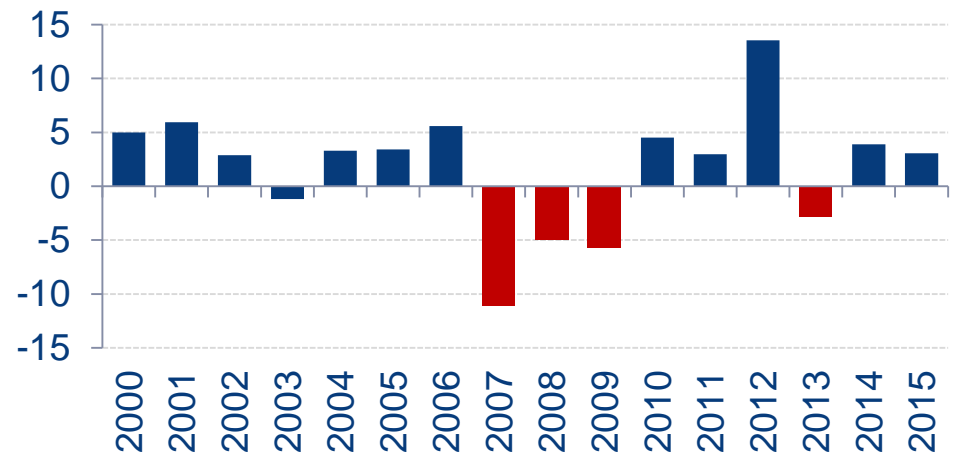
**Proprietor's Income Growth by Industry**

Real year-over-year % change, 2015



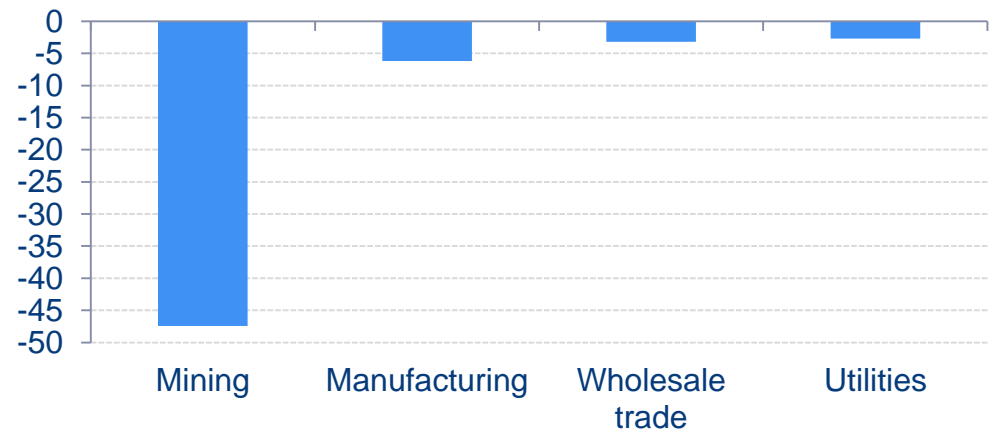
**Proprietor's Income Growth**

Real year-over-year % change



**Proprietor's Income Growth by Industry**

Real year-over-year % change, 2015

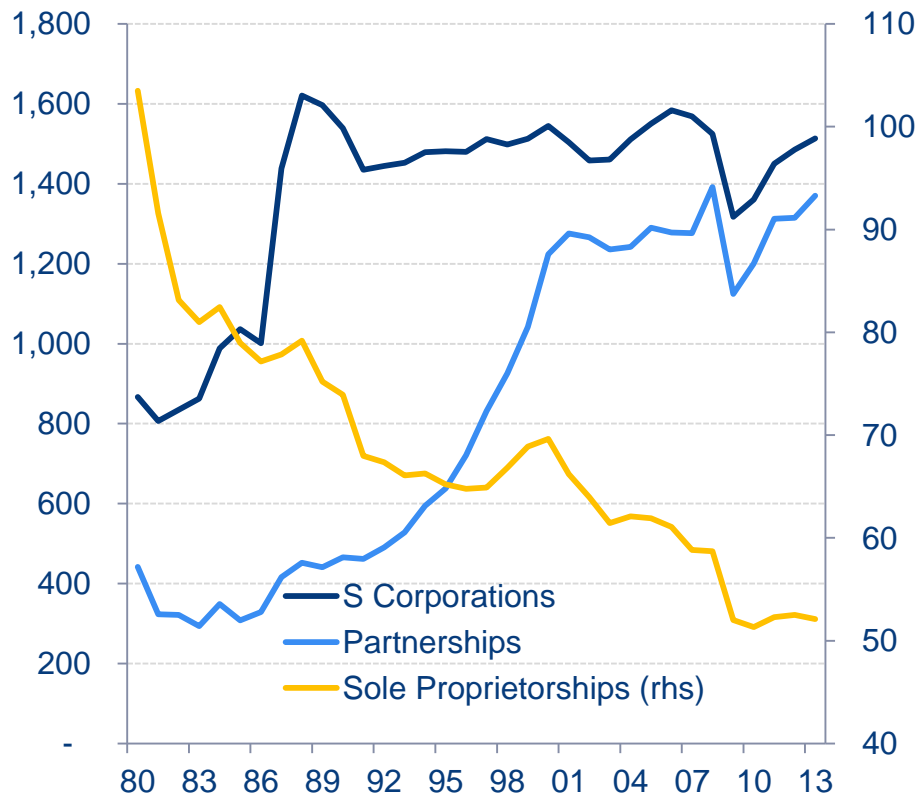


# Financial Conditions

Real net income continues edging up for S-corps and partnerships

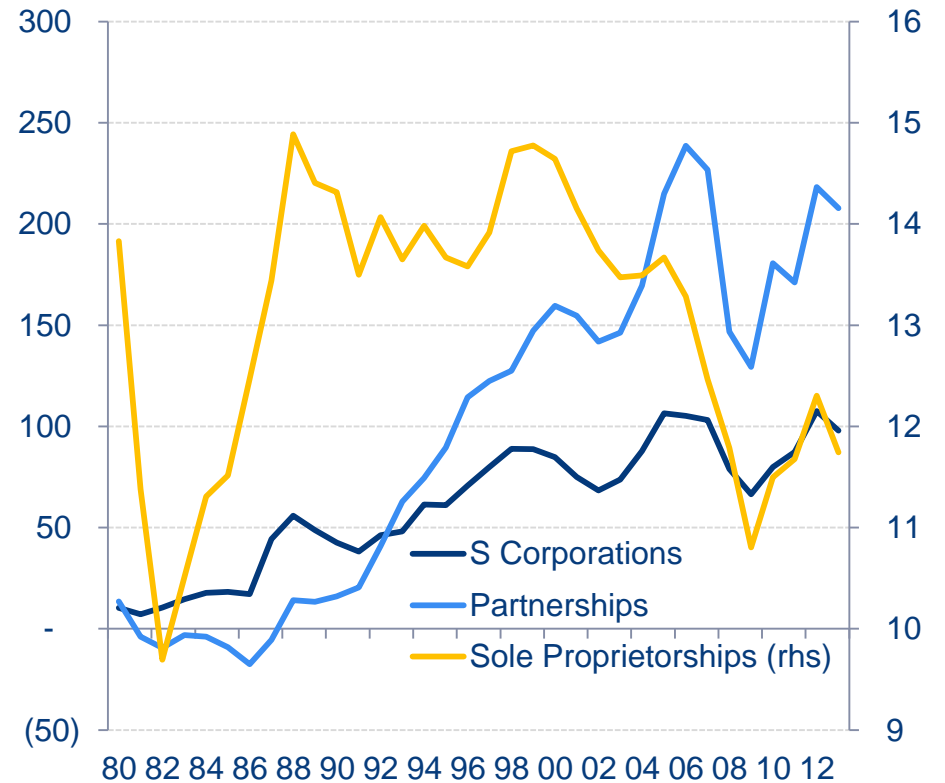
## Receipts per Return

Constant US\$ thousands



## Net Income per Return

Constant US\$ thousands

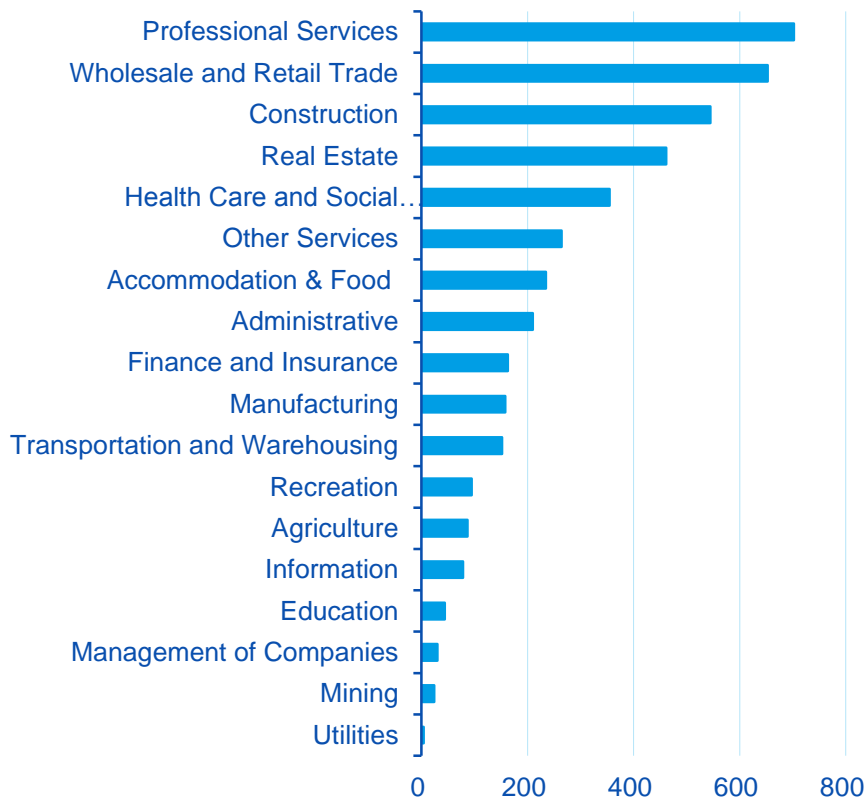


# S-Corporations

Net income per tax return has a more even distribution

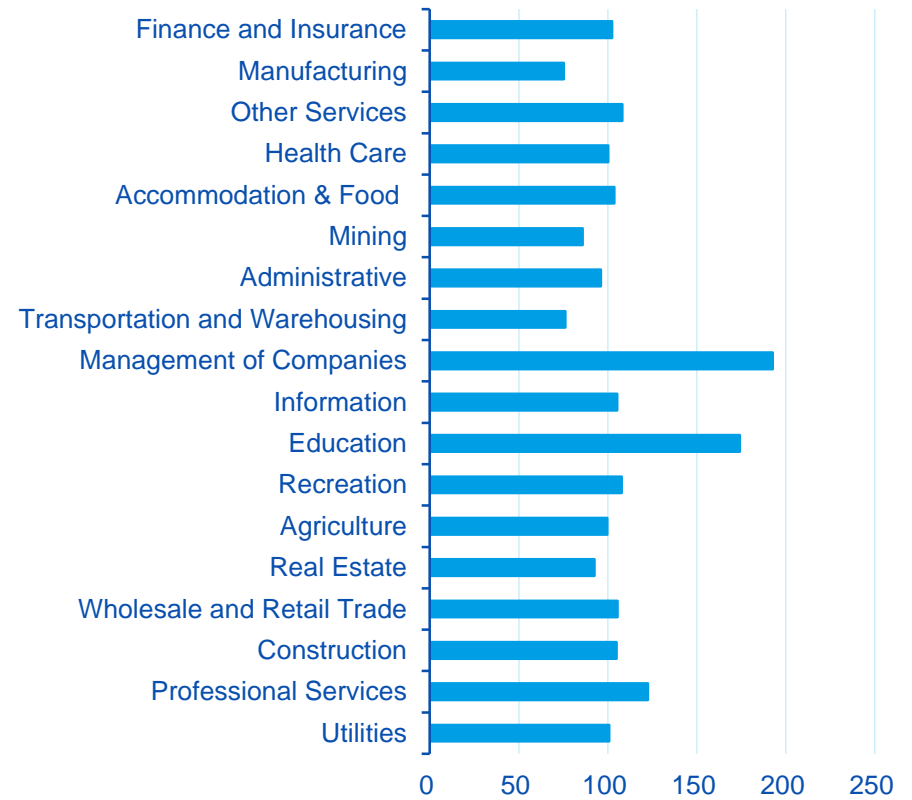
## Tax Returns by Industry

Thousands



## Net Income per Tax Return by Industry

US\$ thousands, last available

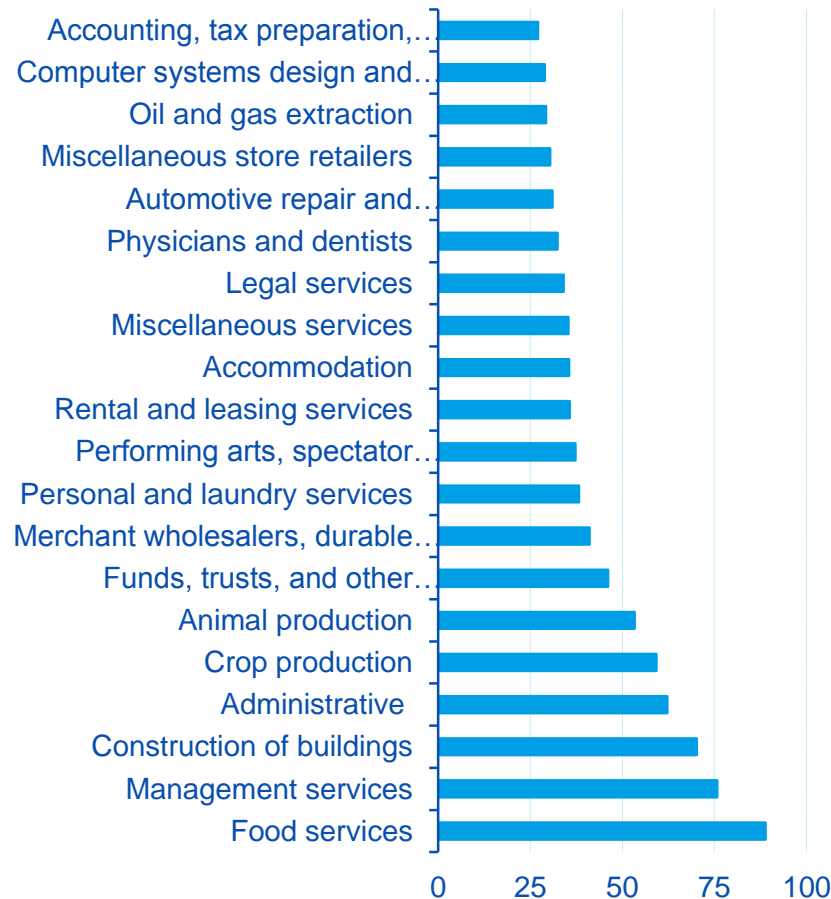


# Partnerships

Real estate partnerships account for 50% of total. Food, management and construction have the greatest share in the remaining group

## Tax Returns: Selected Industries

Thousands, last available



## Net Income per Return: Selected Industries

US\$ thousands, last available





# Sole Proprietorship

Healthcare, finance and professional services exhibit higher profitability

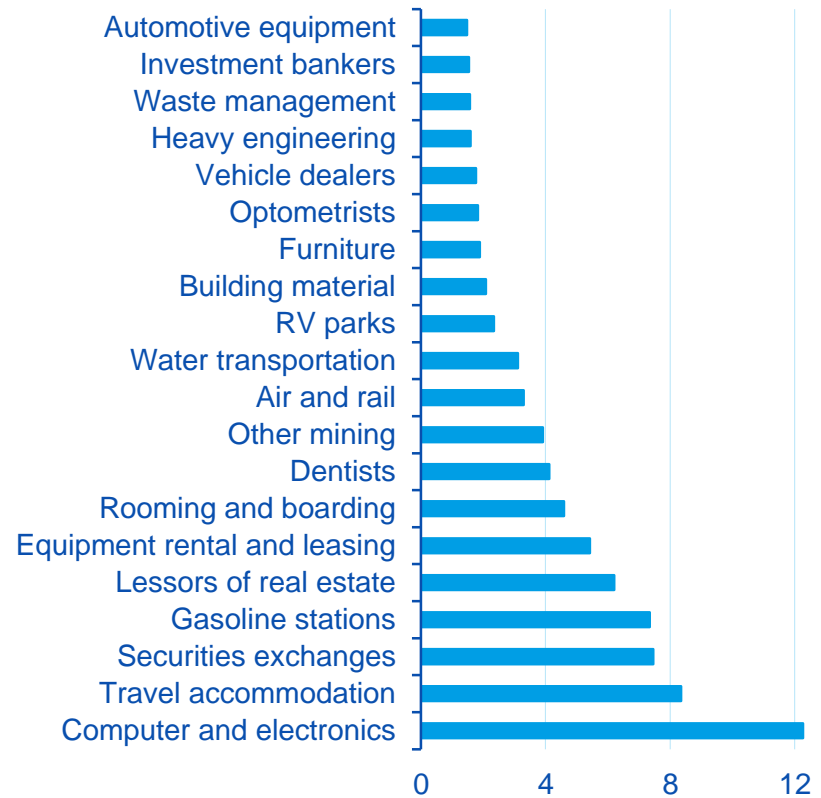
## Net Income per Tax Return

US\$ thousands, last available



## Interest Paid per Return

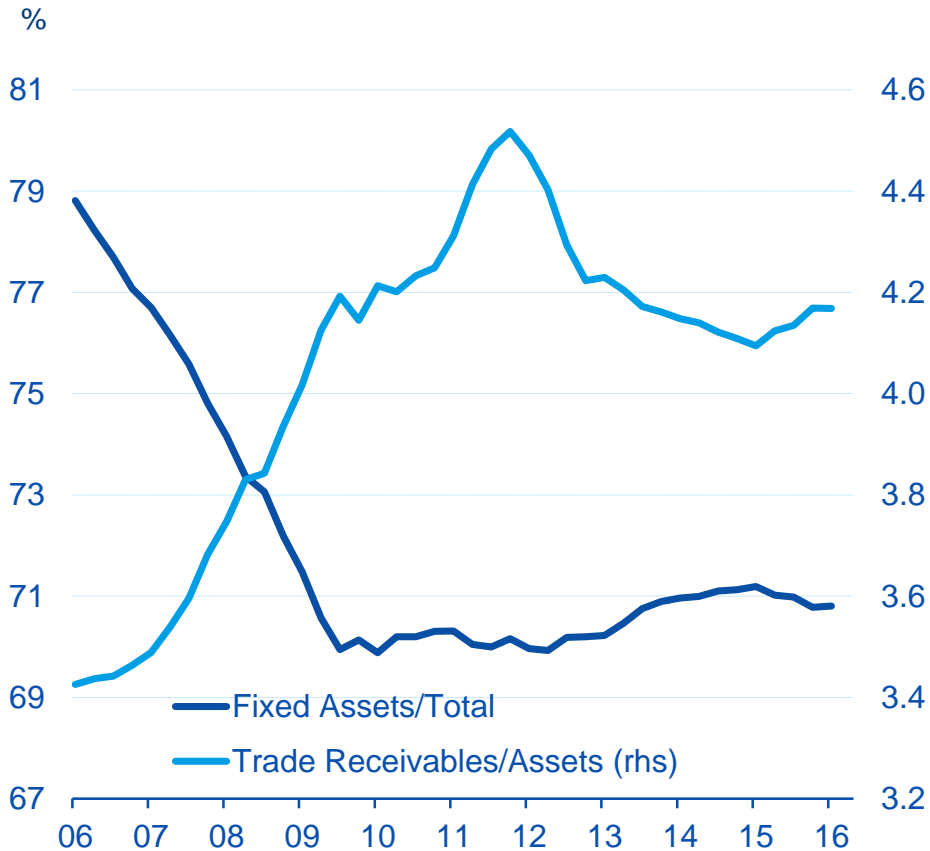
US\$ thousands, last available



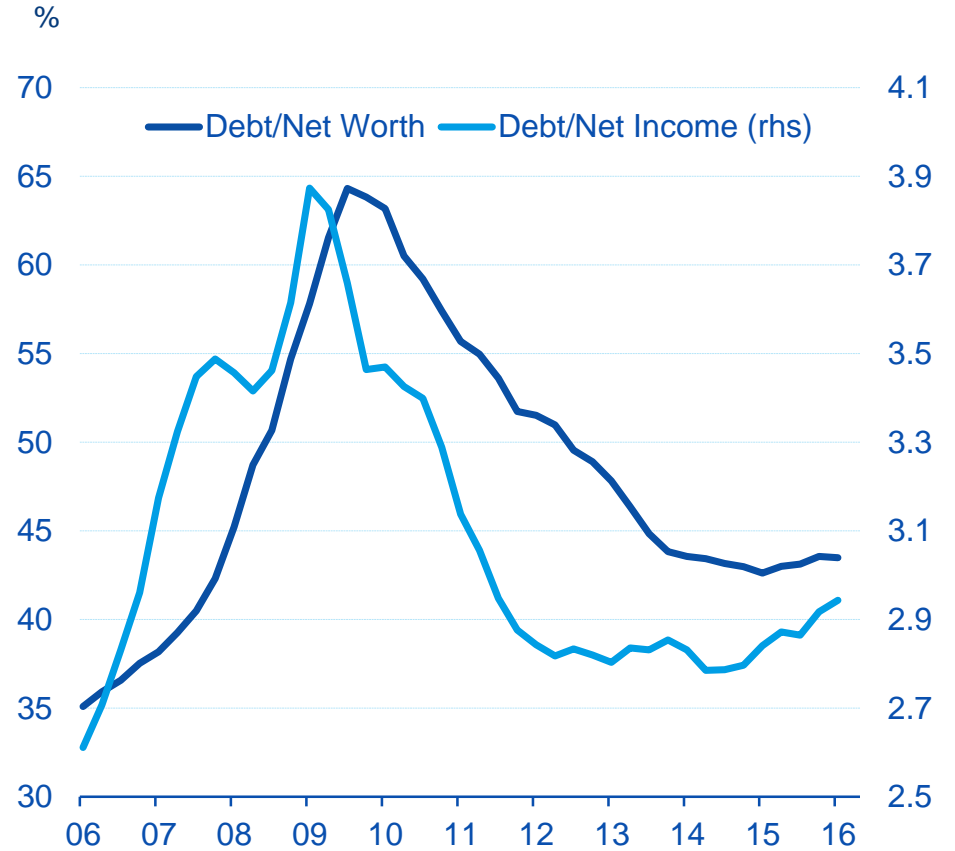
# Liquidity & Leverage

Healthier liquidity and leverage ratios, but less reliance on fixed assets due to post-crisis correction and technological change

**Non-Corporate Financial Ratios**



**Non-Corporate Financial Ratios**

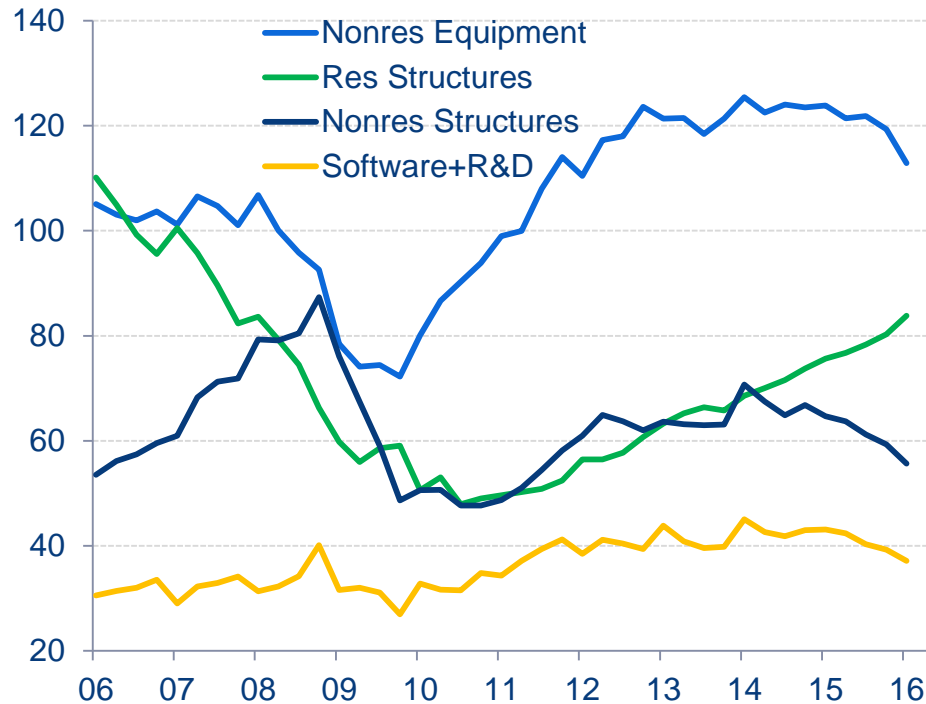


# Investment and Borrowing

Strong borrowing appetite but weak fixed investment excluding residential structures

**Non-Corporate Fixed investment**

Constant US \$bn



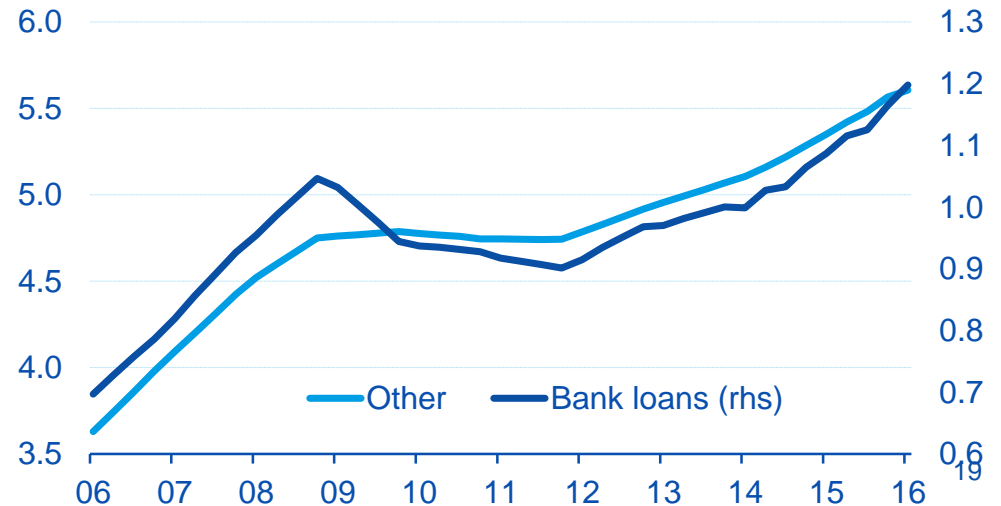
**Non-Corporate Net Lending(+)/Borrowing(-) & Inventories**

Constant US \$bn



**Non-Corporate Liabilities**

US \$tn

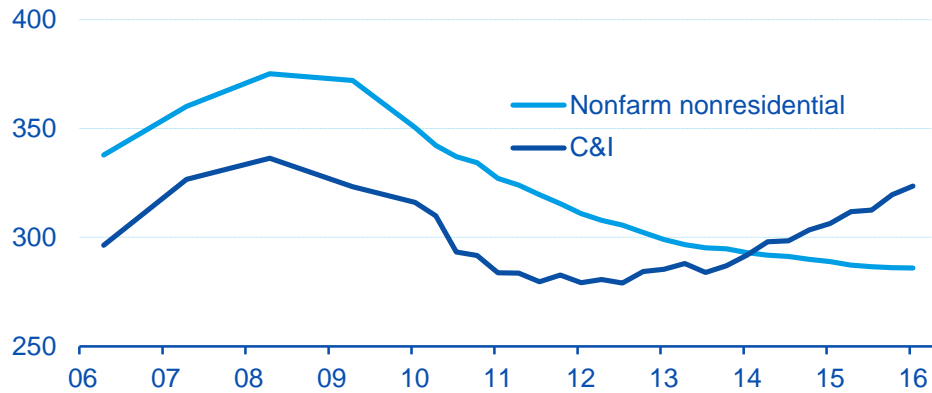


# Bank Credit

Bank lending supported by strong demand for C&I loans, low interest rates, and better borrowing terms; non-residential loans near bottoming out

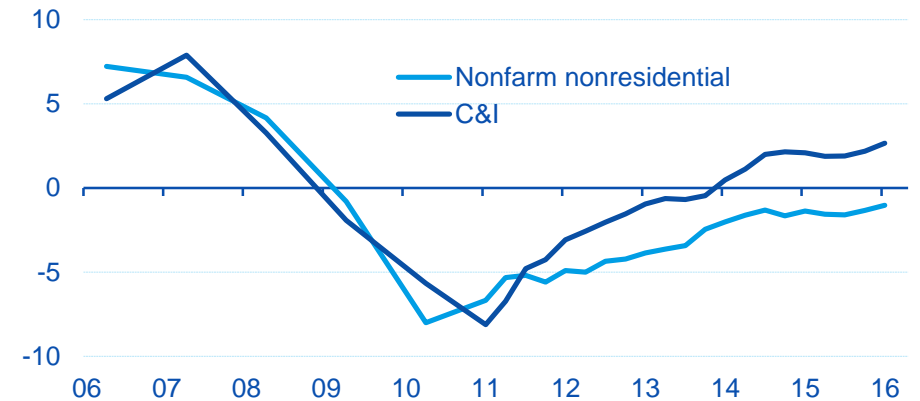
## Small Business Loan Balances

US\$bn, Commercial Banks, loans < \$1M



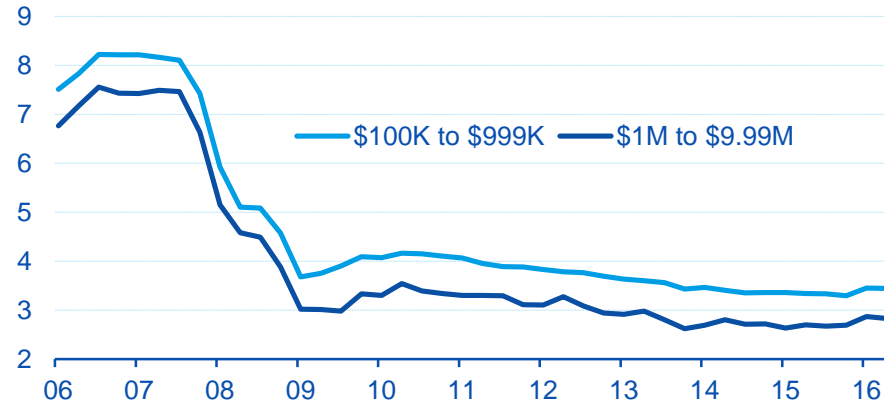
## Small Business Loan Balances

Year-over-year % change, Commercial Banks, loans < \$1M



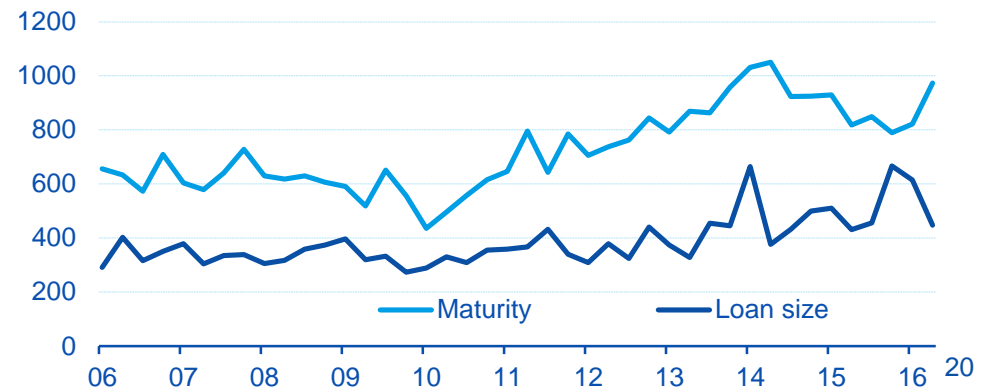
## C&I Loans Weighted Average Loan Rate

Domestic Banks, %



## C&I Loans Average Maturity & Loan Size

Domestic Banks, No. of days and US\$K

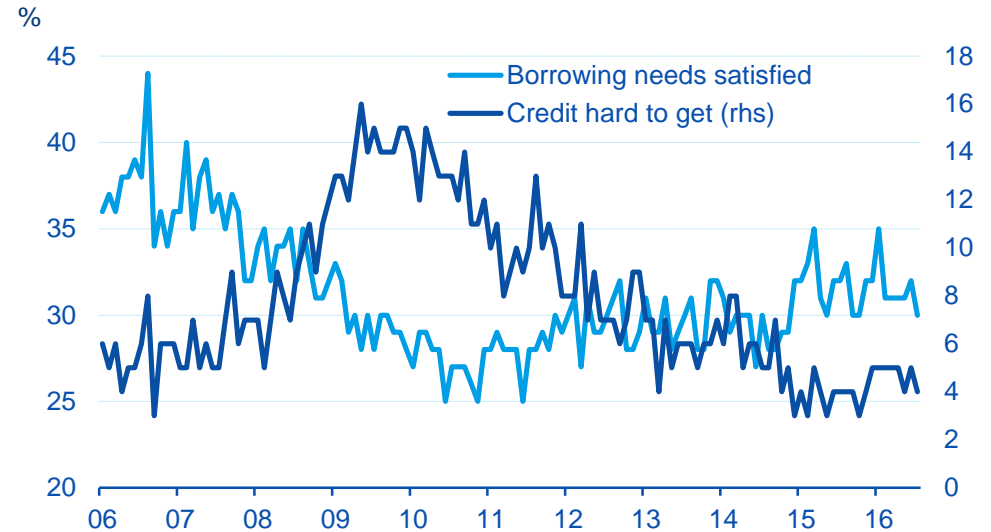


# Small Business Confidence

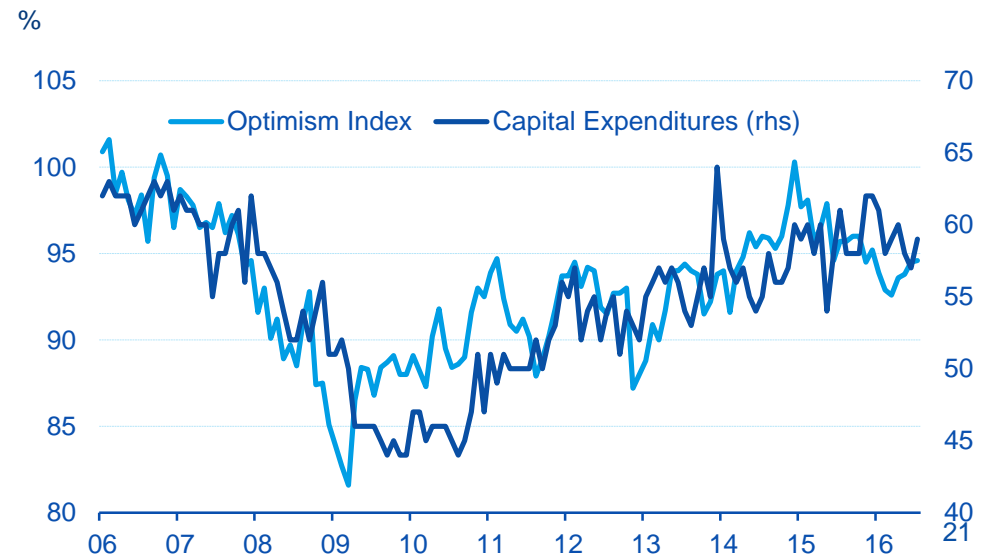
- Regulation and taxes remain the two main sources of concern
- Perceptions on credit markets have improved significantly
- However, overall optimism remains lackluster

Single most important problem (percent reporting)	Last	3M ago	6M ago	12M ago
Competition from large businesses	7	8	9	8
Insurance cost/availability	8	10	8	8
Cost of labor	6	6	5	6
Financial & interest rates	2	2	2	2
Government requirements	22	20	18	21
Inflation	2	2	2	3
Other	7	8	8	7
Poor sales	12	11	12	10
Quality of labor	14	12	15	13
Taxes	20	21	21	22

**NFIB Small Business Survey**



**NFIB Small Business Survey**

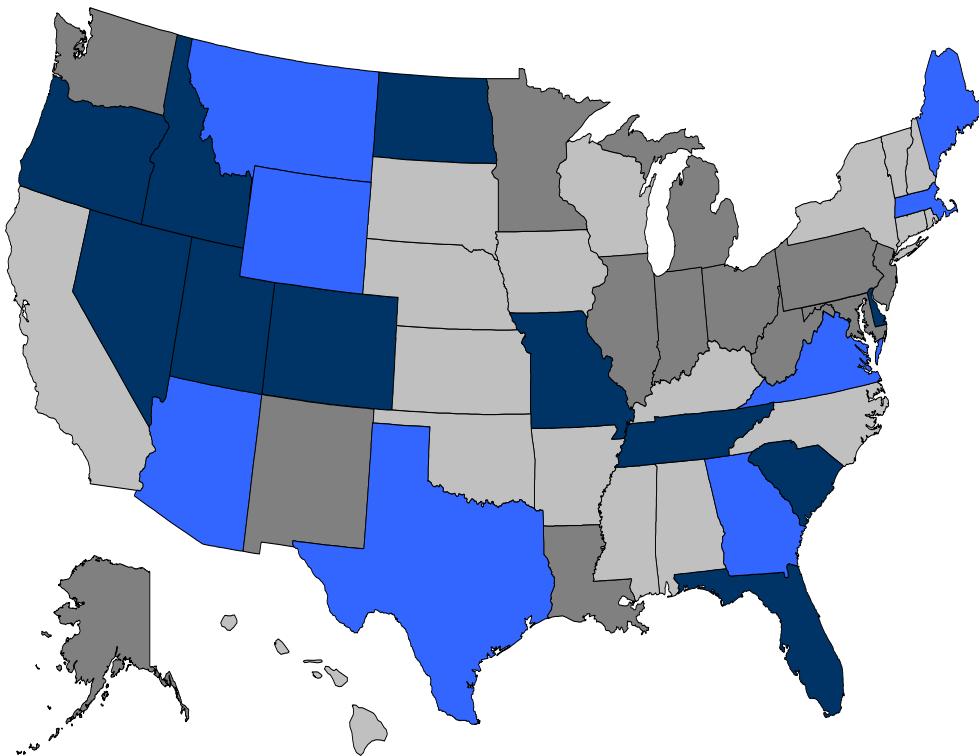


# Regional Establishments

More dynamic market conditions in the West, Midwest and some states in the South

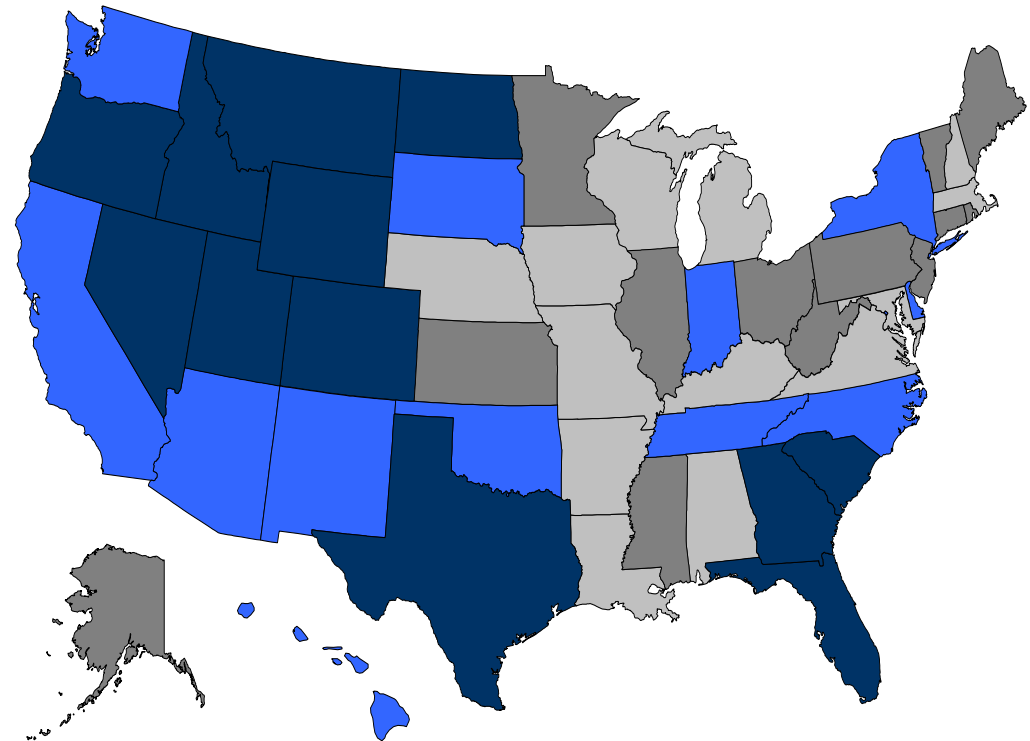
## Establishments

Year-over-year % change



## Employment

Year-over-year % change









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