



2022 Q4 REPORT

# Small Business Growth Index

**National**  
BUSINESS CAPITAL

# Small Business Growth Index **2022 Q4 Report**

## **Executive Summary**

The National Business Capital Small Business Index Growth Report is a quarterly report on small business-related economic trends. This report covers small business trends and findings for Q4 2022. Research was conducted utilizing open-source intelligence, public databases, and sources such as the Small Businesses Administration, NAICS Association, and U.S. Census Bureau, among other sources.

### Insights From Joseph Camberato, CEO of National Business Capital

I think it's important, as we close the book on 2022 and go into 2023, that we don't get wrapped up in the up and down of the markets. As someone very smart once told me, **"There's always gold in any economy. Sometimes, it's just harder to find."**

The prime rate increased steadily throughout 2022 and continued to rise in Q1 2023. If you're a business with an adjustable rate, it's essential to check in on your rates and understand what your monthly payments are so you aren't surprised when the bill comes due. The relentless talks of a recession haven't calmed down, either, but people are still working and making it happen. You're seeing the big layoffs from multi-billion dollar companies that overhired during Covid—not in the typical small to medium-sized company.

If we start to see layoffs in small to medium-sized companies, that's a major sign of a recession. But we're not seeing that; At National, we're working with a considerable amount of applications from businesses with excellent credit, healthy cash flow, and strong outlooks. We had a strong Q4 in terms of lending, and we're still seeing a ton of opportunity. Whether it's to buy a business from an owner that's aging out, make further investments in marketing, or hire new people, entrepreneurs are putting their growth plans into action and pushing toward the next success. To me, that's a great sign.

We've absolutely seen banks tighten their lending, but non-bank lenders have plenty of money on their hands. Although the news might have you believe differently, there's enough access to capital for businesses to grow in this economy. Interest rates are high regardless of whether you work with a bank or non-bank lender, so you shouldn't get caught up in the cost of capital. Instead, get caught up in your opportunity. Whatever you get qualified for, get caught up in "does that make sense for my opportunity." And, if it makes sense, move forward with it now and stack as much profit as you can.

**Remember:** The person with the most capital in a bad economy comes out on the other side as the winner. Make sure you're the one who's prepared from a capital perspective and, more importantly, a mindset perspective. Don't get wrapped up in the news; Find the gold in your business and take advantage of the wild times. Go get after it. Stay focused. **There's opportunity in any environment—you just have to go find it.**



*Joe Camberato*

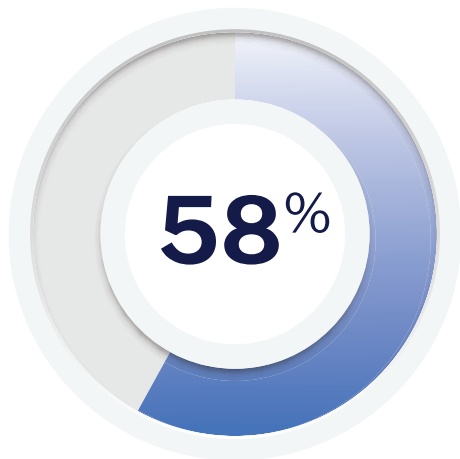
Joe Camberato  
CEO & Founder

# Small Business Insights & Trends

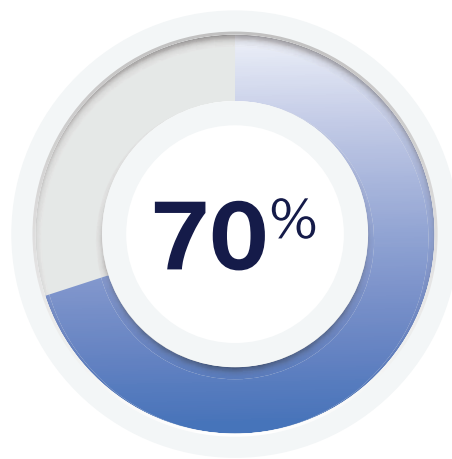
The U.S. economy maintained steady in the fourth quarter, with a gross domestic product (GDP) coming in at 2.9%. Growth appears propelled by robust job markets and strong consumer spending. However, momentum appears to have slowed towards the end of the year, as rising interest rates weigh on demand.

## Smaller Businesses Less Confident About Their Company

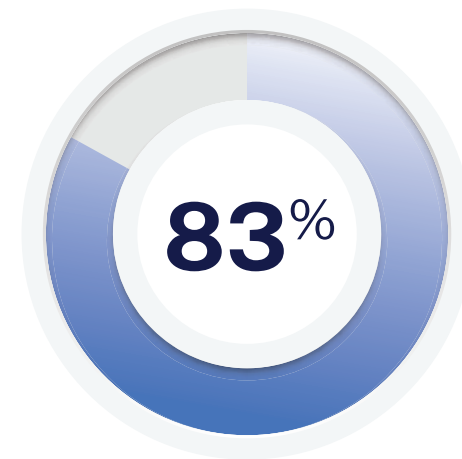
Rising interest rates and doubts concerning ongoing economic growth are causing small business owners to appear less optimistic about the health of their enterprises compared to larger companies.



Of small businesses with 5 employees or fewer reported their business is in good health<sup>1</sup>.



This figure stands in contrast to 70% of businesses with 5 to 19 employees<sup>1</sup>.



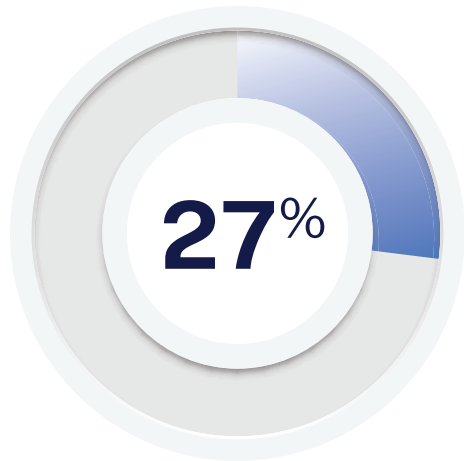
Of businesses with 20 to 500 employees<sup>1</sup>.



# Small Business U.S. Economy

## Most Small Business Owners Believe the U.S. Economy is in Bad Health

Despite sound growth throughout the final quarter of 2022, small businesses remain largely concerned about the state of the economy.



Of small business owners surveyed, 27% believe that the U.S. economy is currently in good health<sup>1</sup>.

## Inflation Still a Top Concern & Challenge

Since post-pandemic economic recovery, inflation has posed a significant challenge for small businesses. Inflation remained high throughout 2022, although cooling off in the fourth quarter and closing out December at 6.5%.



Despite easing inflation levels, 53% of surveyed small business owners cited inflation remained a top challenge<sup>1</sup>. Rising inflation levels have made it difficult for businesses to plan ahead, as many grapple with increased costs for goods, supplies, and labor.

# Small Business Optimism

## Small Businesses Optimism Shows Slight Uptick

Signs of easing prices have helped support a modest increase in total small business optimism, which rose by 0.6 points in November 2022 to 91.9 points. Nevertheless, small businesses continue to face ongoing challenges.

Many expect the full effects of rising interest rates have not been felt, and that further hikes may be on the horizon. While an economic recession did not come to pass in 2022, many business owners fear negative impacts could be felt in 2023. As a result, small business optimism has stayed below the 49-year average for 11 months straight<sup>2</sup>.

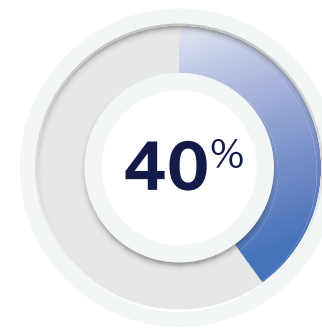
## Majority of Small Businesses Not Interested in Loans

The low-interest rate environment that categorized post-pandemic recovery posed an enormous opportunity for small businesses to borrow at notably low rates. As interest rates rose throughout 2022, many businesses cut back on new loans as lending markets tightened.

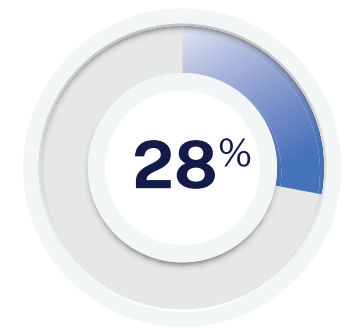
At this time, roughly 62% of small businesses are not interested in loans. Similarly, only 2% of borrowers stated that their fundamental financing needs were not satisfied. Of the remaining businesses, many continue to explore financing solutions. Business lines of credit and short-term lending products can offer ample flexibility<sup>2</sup>.

## Fewer Businesses Raising Compensation Levels

Having to navigate rising prices and a squeezed labor market, many small businesses resorted to raising compensation in order to attract job candidates and remain competitive. As inflation cools, businesses are feeling less pressure to boost wages.



Going into November 2022, a net 40% of small businesses reported raising compensation for their employees, marking a 4-point downturn from the previous month.



Looking forward, a net 28% are planning to raise compensation over the next 3 months<sup>2</sup>.

# Supply Chain and Job Openings

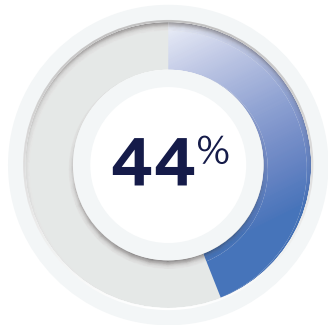
## Supply Chain Issues Still Prevalent

Worker shortages and manufacturing delays, coupled with ongoing global uncertainty, have prolonged supply chain disruptions throughout the past quarter. One major area of focus concerns the transportation and logistics sectors, which have been struggling to attract talent.

As a result, 29% of small businesses have found supply chain disruptions to have a significant impact on their business throughout Q4 2022. A further 34% cited a moderate impact, and 26% reported only a mild impact<sup>2</sup>.

## Fewer Job Openings, Many Remain Difficult to Fill

Hiring has remained a pressing issue for small businesses since the onset of the post-pandemic recovery. Many businesses have struggled to attract the qualified labor they need to meet customer demands and grow.



During Q4 2022, 44% of small business owners reported they had job openings they could not fill.



Another 54% of survey respondents reported few to no qualified applicants for various openings<sup>2</sup>.



# Loans in 2022 - Q4

## Small Business Administration Loans FY22 Totals, as of Q1 2023

Small Business Administration (SBA) loans are some of the most sought-after financing solutions by small businesses. SBA loans offer a variety of benefits to borrowers, such as high funding amounts, lengthy repayment terms, and competitive interest rates.

SBA loans can be used for different business purposes, including but not limited to starting or growing a business, purchasing equipment, and refinancing existing debt. SBA loans are partially guaranteed by the Small Business Administration and are serviced through participating commercial lenders.

The top SBA loan programs include 7(a) loans, 504 loans, and Community Advantage Loans. By the end of Q1 2023, the SBA approved a total of **14,652** loans amounting to **8.42 billion**<sup>3</sup>.

## SBA 7(a) Loans

The SBA 7(a) Loan Program is the most popular type of SBA loan program, providing funding for businesses that need to expand, purchase equipment, or cover ongoing expenses. These loans feature funding amounts of up to **\$5 million** and repayment terms as long as **25 years**.

By the end of Q1 2023, the SBA approved a total of **12,968** 7(a) loans amounting to **\$6.78 billion** for the fiscal year<sup>3</sup>.

## 504 loans

The SBA 504 Loan Program is designed to support small businesses by enabling them to finance major fixed assets such as land, building, equipment, and machinery. These loans are awarded to small businesses looking to invest in their long-term growth. Funding amounts on these long-term, fixed-rate loans can be up to **\$5 million** and typically range between **10 to 25 years**.

By the end of **Q1 2023**, the SBA approved a total of **1,500 504 loans** amounting to **\$1.61 billion** for the fiscal year<sup>3</sup>.

## Community Advantage

The SBA Community Advantage Program offers loans of up to **\$250,000** to small business owners who are unable to access capital from traditional financial institutions. These loans typically cater to small businesses in traditionally underserved regions, especially low to moderate-income and minority communities.

By the end of **Q1 2023**, the SBA granted a total of **184** community advantage loans amounting to **\$31.3 million** for the fiscal year<sup>3</sup>.



# Employment Outlook

## Unemployment by State

U.S. unemployment rates have remained near pre-pandemic lows nationwide throughout 2022. Despite concerns that rising interest rates may dampen economic growth and headlines of massive layoffs from tech companies, nationwide unemployment remains low.

By the end of January 2023, unemployment was reported at **3.4% - a 50-year low**<sup>4</sup>. Amid tight labor markets, smaller businesses continue to struggle to attract and retain employees.

## Number of Firms by Industry

Professional services, administrative, retail trade, construction, healthcare, and other service industries continue to attract the most firms.



## Total Amount of Businesses in 2022

Economic growth remained steady throughout the final quarter of 2022, helping prompt up demand for products and services from small businesses. Nevertheless, expectations for slowing growth into 2023 persist.

Inflation remains the biggest concern for small businesses, which have had to grapple with rising prices. Difficulty finding qualified labor is another issue. As a result, fewer small businesses feel it's a good time to expand or take on additional risks.

## New Business Formations

New business applications have dropped from the heights of the post-pandemic economic recovery period categorized by low-interest rates. Nonetheless, new business formations remain above pre-pandemic levels.

Growth of new business formations is largely concentrated within Southern regions of the United States, especially in Texas. Low taxes and favorable business regulations have continued to attract new enterprises to these regions. On the contrary, the Midwest saw the sharpest percentage drop of any U.S. region in terms of new business formations.

## REFERENCES

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2. <http://www.nfib-sbet.org/>
3. [SBA.gov](https://www.sba.gov)
4. <https://www.bls.gov/cp>



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