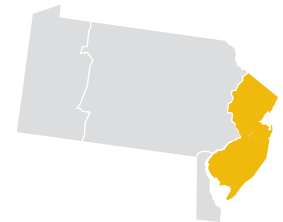


Small Business Credit Survey

New Jersey Insights

by Alaina Barca¹

Roughly two years into the COVID-19 pandemic, some small businesses continued to battle the pandemic's ongoing challenges, while others worked toward recovery. Owners of small employer firms (firms with 1-500 employees) were surveyed in the fall of 2021 for the Small Business Credit Survey.² In this brief, we review the results for 1,350 New Jersey small employer firms³ regarding current conditions, financing needs and outcomes, and ongoing challenges, drawing comparisons with conditions reported in 2020.⁴



Current Firm Conditions

While some of the firms made progress since the onset of the pandemic, most of the firms reported that 2021 financial conditions were either poor or fair. A majority were still experiencing lower revenues compared with pre-pandemic levels.

Current Financial Condition N=1,349



Revenue Change Since 2019⁵

Change in Revenue from 2019 to 2021 N=1,117



Change in Revenue from 2019 to 2020 N=843



¹ The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Thanks to Kyle DeMaria for the helpful research support and the following for their feedback: Joe Budash, Lei Ding, Eileen Divringi, Shawn Futch, Sloane Kaiser, Lucas Misera, Samantha Porter, Theresa Singleton, Ashley Putnam, and Keith Wardrip.

² The Small Business Credit Survey is a national sample of small businesses focused on firms' financing and debt needs and experiences. The national report and corresponding data used for this brief are available at www.fedsmallbusiness.org/survey.

³ See more demographic details on page 3. Note that data are weighted to be representative of all New Jersey small businesses.

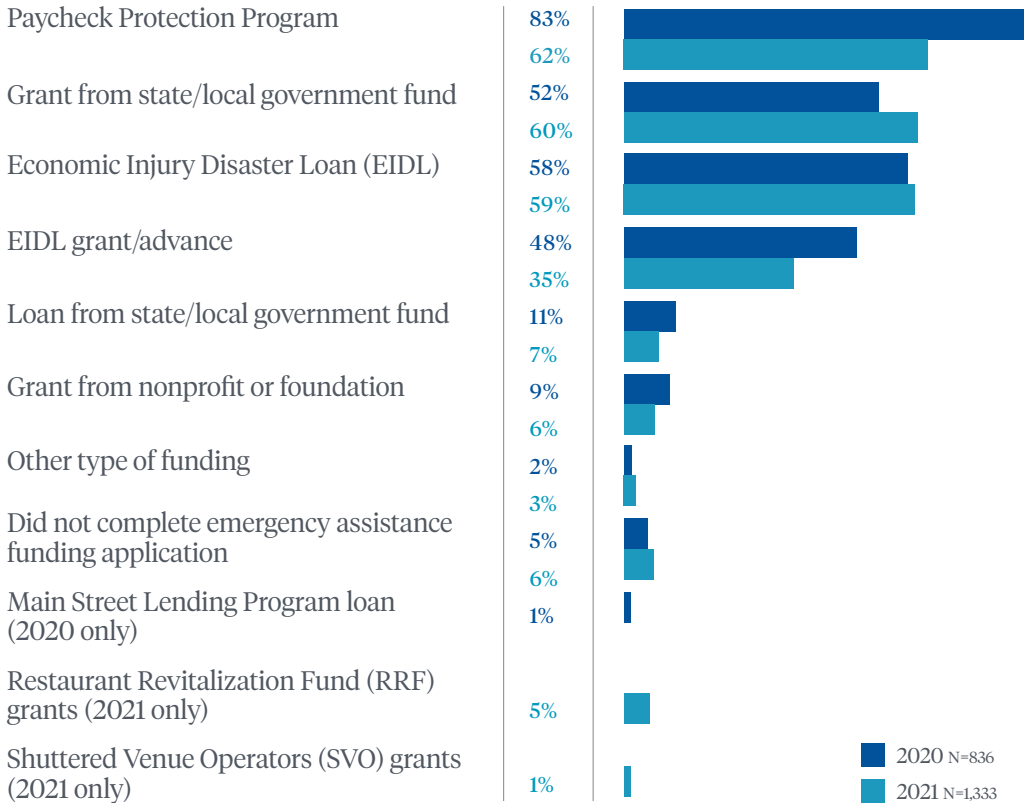
⁴ Last year's New Jersey Insights brief is available at www.philadelphiafed.org/community-development/credit-and-capital/small-business-credit-survey-new-jersey-insights. Note that not all yearly comparisons included are statistically significant partly owing to sample size.

⁵ In 2020, firms were asked how revenues changed in the past 12 months. In 2021, they were asked how current revenues compared with fall 2019.

Financing Needs and Outcomes

Firms continued to apply for emergency and nonemergency financing. In terms of emergency financing, fewer firms applied for Paycheck Protection Program (PPP) loans compared with 2020. A large majority of the firms that applied for PPP loans in 2020 have since received forgiveness. Aside from pandemic-related assistance, 32 percent of the firms applied for nonemergency financing. Among the firms that did not apply for nonemergency financing, less than half cited sufficient financing as the reason.

Applications for Emergency Assistance Funds



Forgiveness on 2020 PPP Loans

N=1,015

86%

Full forgiveness

6%

Partial forgiveness

5%

Pending

3%

Unsure

1%

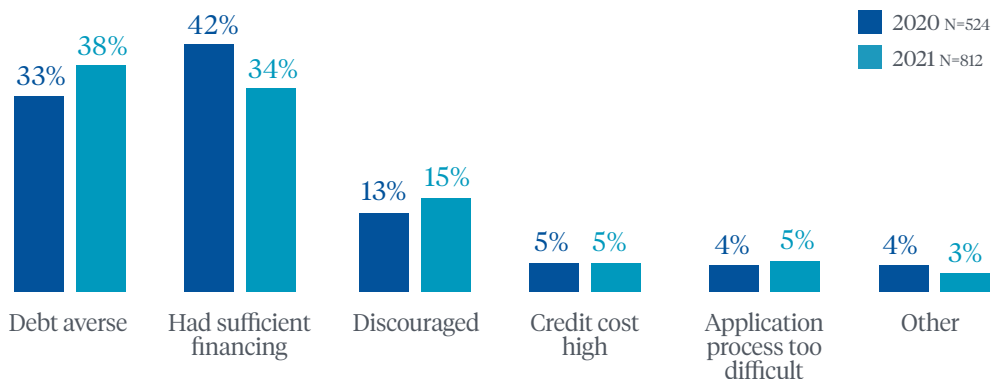
Loan not forgiven

32%

Applied for nonemergency financing in the last 12 months

N=1,276

Primary Reason for Not Applying for Nonemergency Financing in Last 12 Months



Firm Demographics

68%



Male-owned

21%



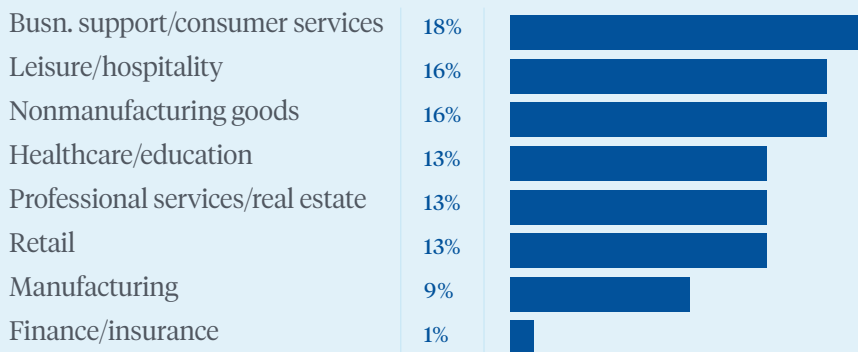
Female-owned

10%

Equally owned

N=1,350

Industry N=1,344



Race/Ethnicity of Owner(s) N=1,344



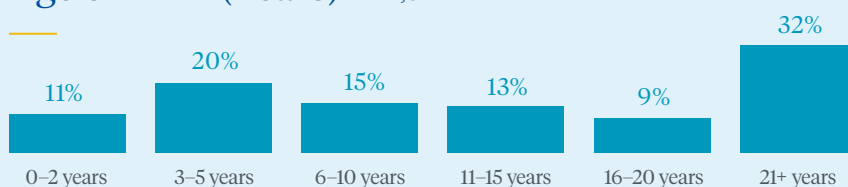
56%

Have 1-4 employees
N=1,350

61%

Earn <\$500K in annual revenues
N=1,300

Age of Firm (Years) N=1,344



Challenges in 2021

The most widely cited operational challenges among New Jersey small businesses were supply chain issues, hiring or retaining qualified staff, and reaching customers or growing sales. Other challenges included complying with government regulations (38 percent), ensuring the health and safety of customers or employees (35 percent), and utilizing technology (23 percent). While 27 percent of the firms reported challenges of credit availability, the most common financial challenges experienced were paying operating expenses, weak sales, and an uneven cash flow.

Top Operational Challenges

N=1,344



60%

Supply chain issues



59%

Hiring or retaining qualified staff



56%

Reaching customers/growing sales

Top Financial Challenges

N=1,342



74%

Paying operating expenses



69%

Weak sales



62%

Uneven cash flow