The outlook for small businesses is improving. The survey results show that 55 percent of respondents reported sales growth over the last year, and 78 percent expect sales to increase during the next year.

Most frequently cited challenges to future growth include finding the right workers, access to credit, weak sales, and competition from larger businesses.

The results indicate that 46 percent of respondents applied for credit in the last 12 months and 25 percent plan to apply in the next six months. Additionally, 14 percent indicated that they did not apply during the last year because they did not think their application would be approved. Credit approval rates were highest for new business credit cards, though almost a third of applicants were approved for less than the full amount requested. The lowest approval rates were reported for applications to extend existing lines of credit.

Some of the most-needed workforce skills, including advanced computer and technology skills, are among the most difficult to find.
The Federal Reserve Bank of Cleveland sponsored an online survey of small businesses, which was conducted from July 1 through August 15, 2013. The survey included questions about business conditions, financing, and workforce needs.

The questionnaire was distributed through more than 20 partner organizations, including chambers of commerce and industry associations.

Businesses in the Fourth Federal Reserve District with fewer than 500 employees were invited to complete the survey. The Fourth District includes Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia.

The results presented in this report represent responses from the 143 businesses that participated in the survey. Given the relatively small sample size of this survey, broad inferences cannot be drawn from the responses; however, the results do provide a useful perspective on the condition of businesses in the region and the challenges they face.
About the respondents

- Northern Ohio, 45%
- Southern Ohio, 20%
- Central Ohio, 16%
- Western Pennsylvania and Northern West Virginia, 18%

- Average age of business: 25 years
- Business established within last five years: 27%
- Minority-owned: 22%
- Women-owned: 33%

- More than 100 employees: 0%
- 20-100 employees: 10%
- 5-19 employees: 30%
- 1-4 employees: 20%
- Owner only: 20%
Business climate: Looking back over the last 12 months

Sales
- 55% Increased
- 24% Stayed the Same
- 21% Decreased

Number of Employees
- 36% Increased
- 50% Stayed the Same
- 14% Decreased

Spending on Facilities/Equipment
- 47% Increased
- 42% Stayed the Same
- 11% Decreased

Most Important Changes Made *
- Cultivated new clients/markets
- Developed new products/services
- Increased technology investments
- Cut costs
- Increased productivity

* Top answers shown; respondents could select more than one answer
Business climate: Looking ahead

Outlook for Sales in the Next 12 Months

- Significant increase: 20%
- Moderate increase: 50%
- No change: 10%
- Moderate decrease: 10%
- Significant decrease: 10%

Most Important Issues Affecting Growth *

- Finding the right workers: 60%
- Access to credit: 50%
- Competition from larger businesses: 40%
- Weak sales: 30%
- Planning for growth: 20%
- Uncertainty about taxes: 20%
- Managing finances: 10%
- Complying with regulations/health care: 10%

* Respondents could select more than one answer

78% of respondents expect sales to increase in the next year
Business financing

Financing Types *

- Business earnings: 80%
- Bank line of credit: 60%
- Personal/spousal savings or wealth: 40%
- Business credit card: 20%
- Personal credit card: 0%

Financing Sources *

- Self/spouse: 46%
- Large bank: 40%
- Community bank: 21%
- Family/friends: 19%
- Government-sponsored loan program: 14%

Credit Behavior, Last 12 Months

- Applied for new credit or to renew existing credit: 46%
- Did not apply for credit because business had sufficient financing: 21%
- Did not apply for credit to avoid accruing new debt: 14%
- Did not apply for credit due to expectation that application would not be approved: 19%

* Top answers shown; respondents could select more than one answer
Business financing: Applicant experiences

Credit Products Sought *

- Extension of existing line of credit
- New line of credit
- New business credit card
- Change in limit on existing credit card

Application Approval Rates

- Change in limit on existing credit card
- New business credit card
- New line of credit
- Extension of existing line of credit

Amount of Credit Sought

- Under $100K, 37%
- $100,000-$250,000, 14%
- $250,000-$1M, 31%
- Over $1M, 18%

Number of Financial Institutions Applied To

- 1
- 2
- 3
- 4
- 5
- Greater than 5

* Top answers shown; respondents could select more than one answer
Business financing: Applicant experiences

**Reasons for Seeking Financing**
- Cash flow or day-to-day operating expenses
- Expand existing business (new employees/locations)
- Refinance existing debt
- New plant, equipment, or vehicles
- Real estate or structures
- Start business
- Inventory

*Top answers shown; respondents could select more than one answer*

**Reasons for Denial of Full Funding**
- Low credit score
- Insufficient collateral
- Banks are not lending because of regulatory pressures
- Business is too young
- Level of outstanding debt

*Top answers shown; respondents could select more than one answer*

**Credit Plans, Next Six Months**
- 25% Of all respondents plan to apply for credit
- 60% Of those that plan to apply expect to be able to obtain credit
Workforce needs

Top Reasons for Adding Workers *

- Expect sales to grow
- Current staff members are overworked
- Need skills not possessed by current staff
- Firm’s financial position improved

Finding Needed Skills

Least Difficult
- Basic English skills
- Basic math skills
- Basic computer skills

Most Difficult
- Clean drug screen
- Punctuality/reliability
- Interpersonal skills
- Sales and marketing
- Advanced computer skills
- Advanced technology

Most Needed Workforce Skills *

- Interpersonal skills
- Sales and marketing
- Punctuality/reliability
- Advanced computer skills
- Advanced technology skills

* Top answers shown; respondents could choose more than one answer