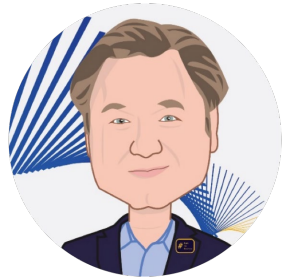




Small Business Outlook

Visa's proprietary Small Business Health Indexes and a nationwide survey of small business owners show the struggles America's small businesses are facing as they begin to recover from the COVID-19 pandemic



"Small businesses continue to face unprecedented challenges due to the COVID-19 pandemic. Despite small businesses cutting spending and taking advantage of SBA loan programs, a large amount of uncertainty remains."

Wayne Best
Chief Economist, Visa Inc.



This research was conducted by Kelton Global through an online survey between **June 30th and July 8th, 2020**. Since the survey was fielded during the COVID-19 pandemic, the report reflects the ongoing issues small businesses are facing during this time.

Contents:

- [Small business health indexes 3](#)
- [Managing business finances 4](#)
- [The road to recovery 5](#)
- [What's next 6](#)
- [Third party assistance 7](#)

EXECUTIVE SUMMARY

Five months into the U.S. COVID-19 pandemic, small businesses are cautiously adjusting to the new reality and are making recovery plans.

Key Takeaway 1

Falling short on 2020 revenue targets – A third of small businesses fear they won't even meet half of their annual revenue goals. To offset lower revenues, small businesses are decreasing their spend and looking for external financial support.

Key Takeaway 2

A long road to recovery – Most small businesses are optimistic for a recovery, but anticipate it'll take at least three months before it happens. However, nearly half are worried their business won't be able to survive a second wave of COVID-19 closures.

Key Takeaway 3

Planning for the future – From resuming projects to evolving their service and product offerings, small businesses are returning to work. By the end of 2020, many expect in-person meetings and employee benefits to resume. Additionally, more than 80 percent of small businesses are making plans to help prepare for another disruptive event.

Key Takeaway 4

Getting support from financial service companies – Immediate support, such as flexible payment options, debt relief and access to funds, appeal to small business owners.

Disclosures:

▶ Disclaimer

Case studies, research and recommended practice recommendations are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. When implementing any new strategy or practice, you should consult with your legal counsel to determine what laws and regulations may apply to your specific circumstances. The actual costs, savings and benefits of a card program may vary based upon your specific business needs and program requirements. Visa makes no representations and warranties as to the information contained herein and member is solely responsible for any use of the information in this presentation in connection with its card programs.

▶ Forward-looking statements

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as “outlook,” “forecast,” “projected,” “could,” “expects,” “will” and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statements we make about Visa’s business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance, and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. Studies, survey results, research, recommendations, opportunity assessments, claims, etc. (the “Statements”) should be considered directional only. The Statements should not be relied upon for marketing, legal, regulatory or other advice. The Statements should be independently evaluated in light of your specific business needs and any applicable laws and regulations. Visa is not responsible for your use of the Statements, including errors of any kind, or any assumptions or conclusions you might draw from their use.

▶ 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 small business survey of approximately 1000 small business owners, administered by Kelton once per quarter. The summer survey was fielded June 30-July 8, 2020.

For any further questions on this report please contact your Visa Account Executive.



Small Business Outlook

Visa's proprietary Small Business Health Indexes and a nationwide survey of small business owners show signs that American small businesses are feeling the pain of COVID-19

Small Business Health Indexes: Based on proprietary Visa small business card data

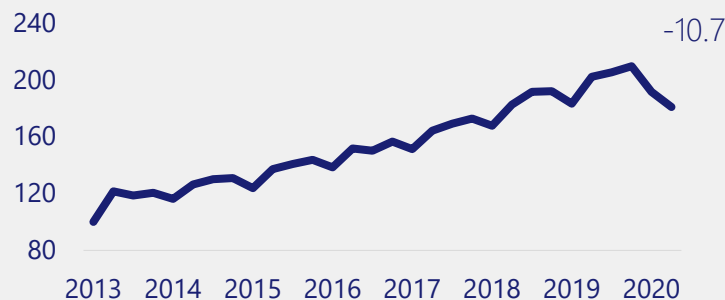
(Quarterly growth)

- Small business spending fell sharply for the second straight quarter due to a significant drop in revenues caused by pandemic lockdowns. Additionally, many small businesses shifted their spending to debit cards. Spikes in COVID-19, that began toward the end of June, paused reopenings and created more uncertainty for the future.
- Outstanding balances on Visa small business credit cards dropped 7.8 points, as businesses decreased spending overall and preferred borrowing funds through SBA-led programs or traditional bank loans to borrowing on their credit card. This follows a general trend across the economy of large declines in revolving debt.
- Risk again ticked up with increases in both delinquencies (+5.6) and charge-offs (+1.3). Federal assistance programs and forbearance regulations helped keep many small businesses current on their credit card during the second quarter. However, with COVID-related restrictions continuing longer than expected, many more small businesses are at risk of missing credit card payments through the rest of this year.

Small Business Spending Index



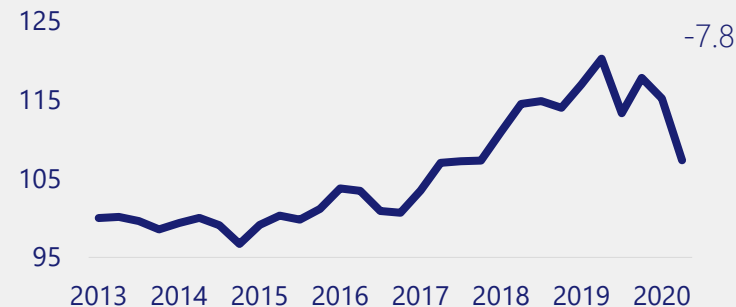
Payment volume on Visa business credit cards,* indexed to Q1-2013



Small Business Borrowing Index



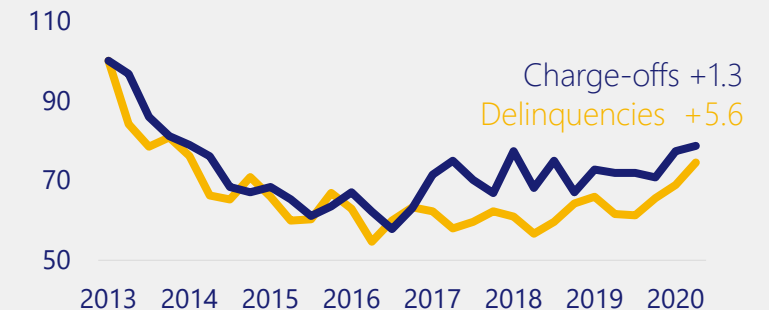
Outstanding balances on Visa business credit cards,* indexed to Q1-2013



Small Business Risk Index



Delinquencies and charge-offs on Visa business credit cards,** indexed to Q1-2013



*Payment volume and balances per active account. See methodology notes on page 2 for more details

**Percent of balances delinquent and charged-off. See methodology notes on page 2 for more details

COVID-19 Impact: Managing business finances

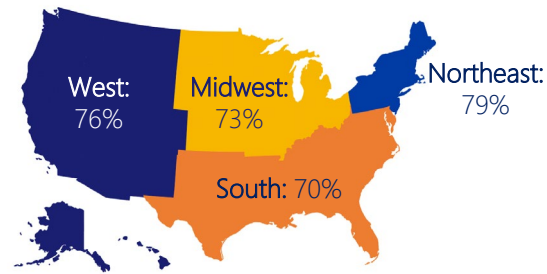
In light of lower revenues and a weakening economy, small businesses are reducing spend and looking for financial support to stay open



Negative outlook continues as businesses battle various phases of reopening

Nearly three-quarters of small businesses (71 percent) say the U.S. economy has weakened during Q2-2020. Just under three-quarters of small businesses (74 percent) have been negatively impacted in some way by the COVID-19 pandemic. This is an improvement from the 83 percent of small businesses who felt a downturn prior to mid-April.

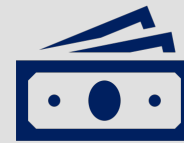
While the majority of U.S. small businesses report being negatively impacted by COVID-19, the impact varies slightly by region:



Reducing spend to stay afloat

Over half of small businesses (54 percent) have decreased spending in response to COVID-19. Nearly a quarter (24 percent) anticipate spending less on their business credit card in the next three months. Compared to the same time last year, this is triple the number who said they would spend less (8 percent).

Businesses that have been negatively impacted by the pandemic have:



34%
Reduced operational costs



30%
Decreased marketing spend



19%
Laid off employees

Consequences of those negatively impacted by the pandemic:

(Among those negatively impacted by COVID-19)



46%
Lost customers



46%
Project delays or cancellations



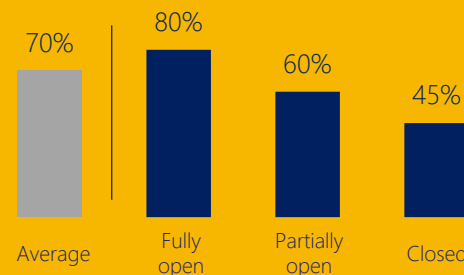
24%
Supply chain issues



18%
Accumulated more debt than usual

Small businesses unlikely to hit their revenue targets for 2020

Over half of small businesses (55 percent) have experienced a decline in revenue over Q2-2020. Nearly nine in ten small businesses (86 percent) expect to fall short of their target revenue for the year. The portion of initial 2020 revenue targets businesses expect to meet vary, depending on their open status:



Seeking financial support

Nearly three out of five (57 percent) small businesses surveyed that have been negatively impacted by COVID-19 are seeking external funding to stay afloat, whether it's PPP loans, emergency funding or relief from their partners such as banks, insurers and suppliers.

- Diverse-owned small businesses are more likely than small businesses that are not diverse-owned to have searched for some type of external funding to help them through this difficult time (70 percent vs 54 percent).

COVID-19 Impact: The road to recovery

Small businesses are cautiously optimistic, but a full recovery will take months



Businesses are hopeful for a recovery, but only if they've already reopened

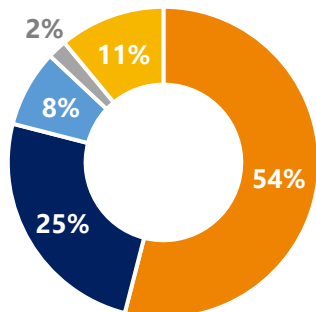
As of the end of Q2-2020, 45 percent of small businesses are fully open, 46 percent are partially open with limited operations or reduced capacity, and 9 percent remain closed.



Businesses that are partially open or still closed are almost twice as likely as ones that are fully opened to worry about the viability of their business beyond nine months from now (53 percent vs 28 percent).

Over half (54 percent) of small businesses expect they'll recover. However, a quarter (25 percent) of small businesses say their future is uncertain.

- Diverse-owned small businesses are more likely to say they will close, or be at risk of closing than non-diverse-owned small businesses (16 percent vs. 8 percent)
- Millennial owners (19 percent) are more likely than Gen X (9 percent) and boomer owners (2 percent) to report their businesses are at risk, or will be at risk, of closing due to the pandemic.



It will likely recover

My business's future is uncertain

At risk or will be at risk of closing

Will close

Will grow

Recovery is possible, but not if there is a second wave

Nearly two in three small businesses (65 percent) anticipate it will be at least three months before they start to make a financial recovery.

- Millennial owners (47 percent) are more likely than Gen X (27 percent) and boomer owners (31 percent) to say they have started to recover financially and expect to recover in the next 12 months.



Many are concerned that a second wave of COVID-19 could mean the end of their business.



Nearly half (47 percent) are unsure if their business could survive another shut down from a second wave of COVID-19.

- Small businesses with more than 20 employees are more likely than those with fewer to have doubts about whether their business could survive another shut down from a second wave (54 percent vs. 44 percent).

COVID-19 Impact: What's next

Businesses are taking different approaches as they return to work

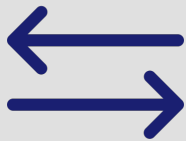


In progress

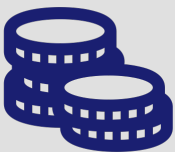
Among the businesses that have started to take steps to recover:



Restarting work: Nearly half (47 percent) have begun resuming projects that were postponed. Over one-fifth have recalled furloughed workers (22 percent).



Evolving operations: Over two-fifths (41 percent) have changed their service model (curbside pick-up, online sales) or started offering new products.



Resuming spend: Whether reversing financial cuts or investing in marketing/advertising, 43 percent have started spending again.

Short-term through 2020

Some small businesses expect some activities to resume by the end of 2020:



Meetings: Forty-four percent expect in-person meetings to occur over the next few months.



Employee benefits: By the end of 2020, 60 percent of small businesses expect they'll be able to give promotions or pay raises, hire new staff, resume benefits such as 401k contribution match and spend on things like team building or office lunches.

Longer-term plans for 2021 and beyond

Small businesses anticipate it will take longer for business travel and community involvement to return.



Business travel: Over two-fifths (43 percent) say business travel will not resume until 2021 or beyond. In fact, nearly one in five (19 percent) will pause travel until there is a vaccine.



Company community involvement: Over a quarter (29 percent) will be putting off community initiatives until the new year or until there is a vaccine.

The COVID-19 pandemic has many small businesses preparing for another disruption in their operations.

84 percent of small businesses plan to make changes in case of future disruptive events:

Ensure employees can work remotely

46%

Develop contingency plans

44%

Plan funding options

32%

Diversify revenue streams

25%

Upgrade technology

25%

Identify backup suppliers

23%



Small businesses in big cities are more likely than those in other areas to ensure employees are able to work remotely, if needed in the future (51 percent vs. 42 percent).

COVID-19 Impact: Requesting third party help

Financial service providers can help small businesses weather the pandemic



Small businesses would like assistance with the following:



Managing payments & debts

Nearly half of small businesses (48 percent) would like to see financial service companies offer flexible payment plans, debt relief or refinancing options.

- Small businesses in the Northeast are more likely than those in other parts of the country to say they would like to see financial services companies offer flexible payment options (41 percent vs. 32 percent).
- Flexible payments appeal to female (40 percent), veteran (40 percent) and minority (36 percent) small business owners.



Access to funds

A third of small businesses (33 percent) say they would benefit from extended credit lines or a loan.



Online functionality

Three out of 10 (30 percent) would like financial services companies to improve current online services or add new online services.

- Millennial (45 percent) and Gen X owners (37 percent) are more likely than boomer owners (16 percent) to want their financial services companies to improve current online services, or add new online services.



Education

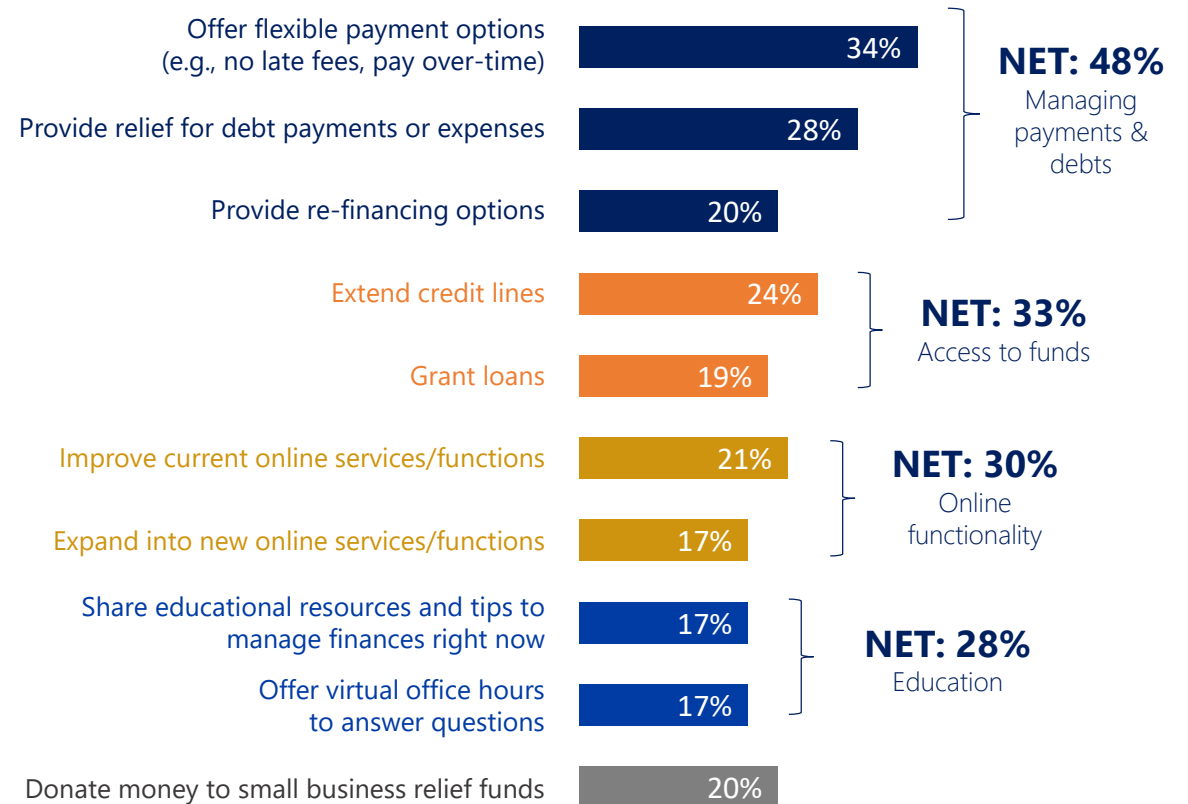
Over a quarter (28 percent) would benefit from informational resources such as financial management tips or virtual office hours to answer questions.



Community Impact

One-fifth (20 percent) want to see financial service companies donate to small business relief funds.

The majority of small business owners (69 percent) feel there are a variety of ways financial service companies can help lighten the burden.



VISA