



2016

U.S. Bank Small Business Annual Survey

The Voice of Small Business Owners

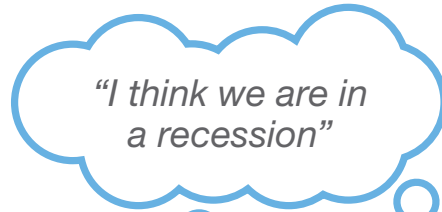
Small business owners are confident in their business, but they're less certain about the economy, according to newly released results of the 2016 U.S. Bank Small Business Annual Survey. Revenues are strong and many business owners want to expand. But, their outlook on the economy has dropped significantly over last year, likely driven by stock market volatility, uncertainty in the global economy and questions about who will be leading our country a year from now.



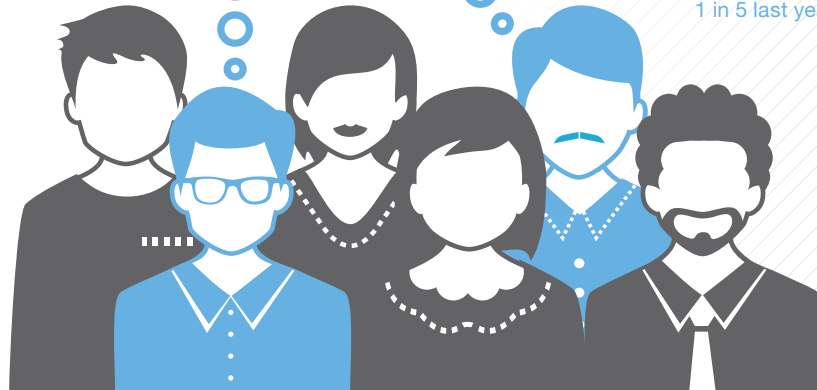


Confidence in national economy dips

U.S. Bank has been surveying small business owners for seven years, and from 2013 to 2015, there were significant jumps in those who felt the economy was recovering or expanding. Those numbers dipped in 2016, returning to 2014 levels.



Today, nearly 1 in 3 small business owners believe the national economy is in recession, up from only 1 in 5 last year.



Revenue not hampered by economy

Nearly 75 percent of small business owners classify the health of their business as "strong." Revenues are above the previous year for more businesses in 2016 (34 percent) than in 2015 (28 percent) and nearly half expect revenue growth in 2017. Approximately 1 in 4 owners have plans to hire, which is the same as last year but an improvement over 2014. About 38 percent say they're ready for capital expenditures, up significantly over 2015.

"Business owners are still in that cautious mode, second-guessing future decisions. Business is good, but they wonder if another shoe will drop in the economy. A little more time and some clarity around who will be leading our country a year from now will go a long way in boosting their confidence."

– John Elmore, Vice Chairman of Consumer and Business Banking at U.S. Bank

74%



Strong

21%

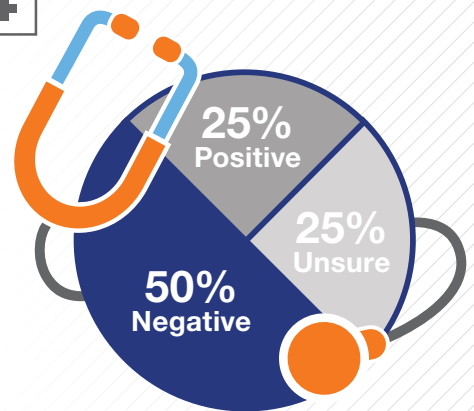


Fair

5%



Poor



Healthcare changes settling in, future costs still a question

Small business owners' attitudes about the new healthcare law remain divided. Half think the long-term impact will be negative, while the other half are divided between "positive" and "neither/unsure." Last year, the number of small business owners who felt the new healthcare law would have a negative impact long term dropped significantly from 61 percent in 2014 to 47 percent in 2015, which is about where it sits today at 50 percent. Concern in 2014 appears to have morphed into acceptance in 2016. Fewer than half say the new law has resulted in higher premiums returning to 2014 levels.



Issues on their minds this election year

Healthcare and taxes are the two top issues on the minds of small business owners this election year. The last time we elected a president, in 2012, the top issues to small business owners were healthcare and jobs. Today, healthcare, terrorism, national security, taxes and immigration are more important issues to the small business owner than they were in 2012.

More than a quarter of those surveyed have this message for presidential candidates lower taxes for small businesses

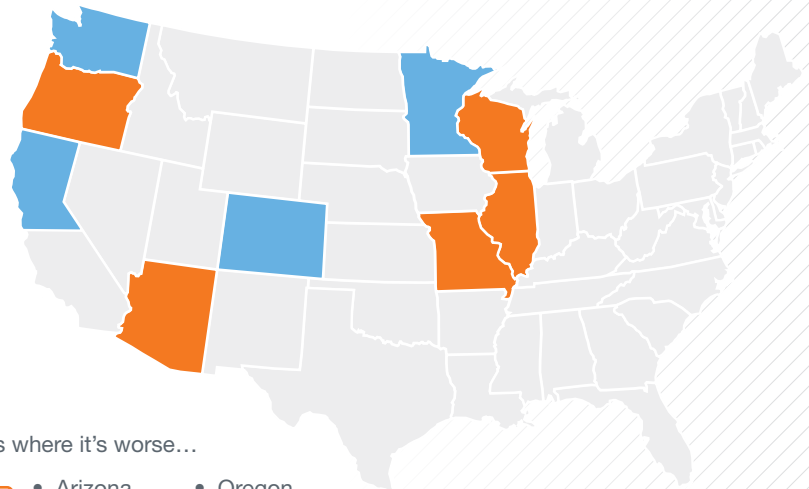


Economic confidence varies by state

Small business owners' optimism is often impacted by how their state economy is faring. States where business owners feel the state economy is better than the national economy...



- Minnesota
- Colorado
- Washington
- Northern California



States where it's worse...



- Arizona
- Wisconsin
- Illinois
- Oregon
- Missouri

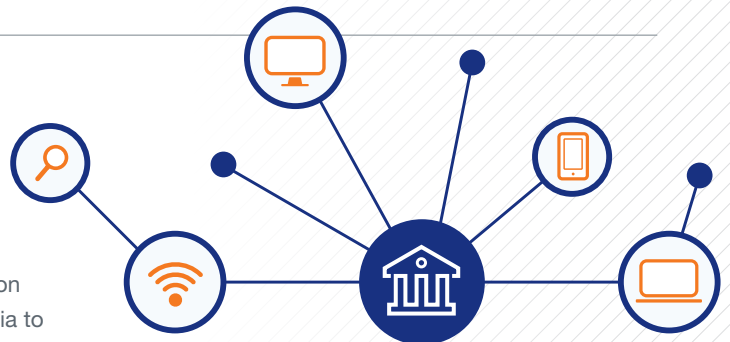
"I'm not surprised that business owners are more positive in regions where home values are improving, such as Seattle, Colorado and the San Francisco Bay Area. You feel good about the economy if your home is worth more than you owe. Increased taxes and minimum wage issues could be impacting results in areas like Illinois and Oregon."

- Ross Carey, EVP and head of Business Banking at U.S. Bank



Mobile technology takes center stage in business, tech drives trust in banks

More than 3 in 4 small business owners have integrated a mobile solution into their overall business strategy, and even more are using social media to make connections, find talent, or market their business. Business owners are significantly more likely to access their bank and make payments with a mobile device than they were a year ago. More than three in four say banks offering the most up-to-date technology are more trustworthy. But, at the end of the day, the human touch is still important to them – 89 percent say they will do at least some of their banking in a physical branch in five years.



"Technology matters. Customers want to be able to access the bank through multiple channels when it's most convenient for them. But, they also tell us nothing replaces the human touch – that banker down the street to talk to or bounce ideas off of from time to time."

- Kent Stone, Vice Chairman of Consumer and Business Banking Sales Support at U.S. Bank



Who are the small business owners we talked to?

More than half of the owners we talked to have been in business for more than 10 years, three quarters for more than five. Revenues are mainly under \$1 million. They represent a large mix of business segments. Nearly all have not served in the military. Most have less than 20 employees, and three out of four say their employees are mostly full time. Most are located in urban or suburban areas, and most are over age 45. They are almost evenly split, male and female.

If you compile the predominant characteristics of the small business owner we talked to in our 2016 survey, this is what they would look like:

- In business for 10 years or more;
- Revenue under \$1 million;
- No military service;
- Fewer than 20 employees;
- Urban/suburban (not rural);
- Over age 45.



Survey conducted January-February 2016. National represents U.S. Bank's 25 state footprint.

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