

**MUFG Union Bank, N.A.**

A member of MUFG, a global financial group

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**Press contact:**

Juanita Gutierrez

T +1-213-236-5017

E [juanita.gutierrez@unionbank.com](mailto:juanita.gutierrez@unionbank.com)

Merrill Balassone

T +1-310-974-6683

E [merrill@sugermangroup.com](mailto:merrill@sugermangroup.com)

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## **Union Bank® Small Business Economic Survey: Most West Coast Small Business Owners are Optimistic that the National Economy is Headed in the Right Direction; an 11-Point Jump from Previous Survey**

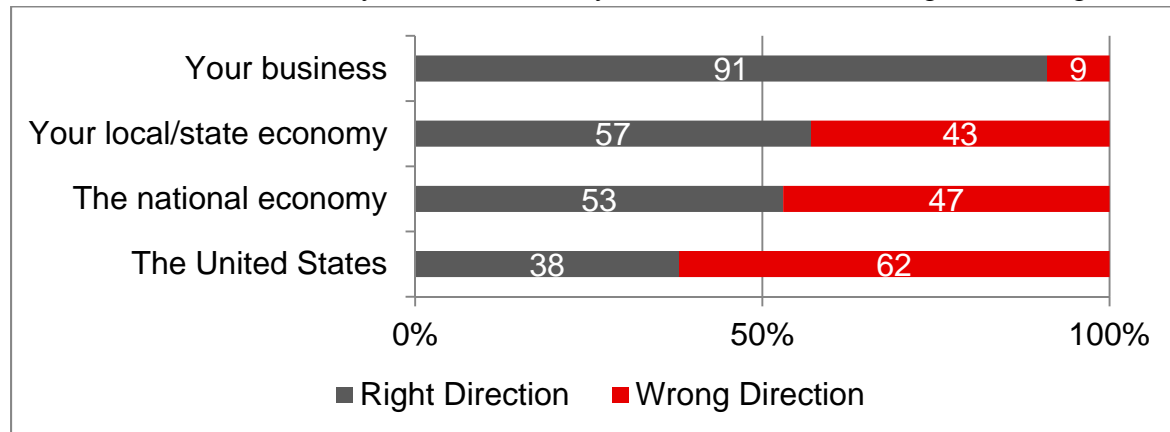
- *Post-election survey finds small business sentiment mixed about the business climate in the next two years.*
- *20% view federal government's efforts to stimulate small business as good or very good compared to nearly 40% that view more government programs as a way to grow.*
- *Nearly one-half of small businesses plan to keep prices the same.*
- *Those looking to hire are looking for full-time staff.*
- *In California, nearly 25 % of owners are concerned about minimum wage increases.*

**Los Angeles, CA, February 15, 2017** – Small business owners are significantly more confident about the national economy compared to January 2016, according to results from the Union Bank annual Small Business Economic Survey released today. The 18th annual survey also found that hiring is on the rise, with more business owners planning to offer permanent full-time positions in 2017 while interest in contractors and temporary positions wanes.

Union Bank conducted the survey from Dec. 12, 2016 to Jan. 3, 2017, compiling results from nearly 700 small business owners in California, Oregon, and Washington State. The previous Small Business Economic Survey was conducted in January 2016.

Overall, 53 percent of respondents said the national economy is headed in the right direction, a significant reversal from January 2016 when a majority (58%) believed the economy was headed in the wrong direction. More than half of respondents (57%) also believe the economic outlook at the state and local levels has improved versus 49 percent in January 2016. However, 62 percent of survey participants said the United States, as an entity, is headed in the wrong direction. This reflects a five percentage point increase from January 2016.

Q: Please indicate whether you think the entity listed is headed in the right or wrong direction.



“It’s very encouraging to see more business owners holding a positive view of the U.S. economy compared to last January, when more than half believed the economy was going in the wrong direction,” said Union Bank Managing Director Todd Hollander, Head of Business Banking. “Although we see some potential challenges ahead, this confidence is essential if further job growth and expansion is to occur.”

According to the Survey, the view from small business owners about the state of the overall business climate is mixed. While 36 percent noted an improvement over the past two years versus 35 percent in the previous survey, one-third said it remained the same (vs. 29% in January 2016) and 30 percent indicated that it had worsened (vs. 35%).

Further, sentiment was mixed when respondents were asked about the next two years. Forty percent believe the overall climate for small businesses will improve, while 35 percent expect it to worsen and 25 percent anticipate it will remain the same. This is a significant change when you consider that in January 2016, 40 percent of respondents expected the business climate to remain stable and 22 percent believed it would worsen.

### **Staffing, Sales, and Capital Expenditures**

While a vast majority of business owners (84%) plan to keep staffing levels stable, hiring is slowly picking up pace. While only 12 percent of small business owners said they expect to hire additional employees in 2017 — a five percentage point increase from last year — the majority (62%) plan to make permanent full-time hires (up 20 percentage points). They also expressed greater interest in part-time employees (up 10 percentage points). Contractors and temporary positions appeared to be less appealing than in previous years.

Nearly half of small business owners reported steady sales in 2016, a double-digit increase from 2015. Forty-six percent plan to keep prices the same. This is in line with the January 2016

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results. At the end of 2016, 26 percent of those surveyed indicated they would raise prices versus 29 percent earlier in the year.

Referrals from existing clients remain the most common, though declining, means of generating new business (down 4 percentage points). Fourteen percent of those surveyed are adding locations and/or purchasing new or leased equipment. This is a four-point increase vs. January 2016. However, in general, business owners are not looking to increase capital expenditures. Sixty-seven percent indicated that they plan to keep capital expenditures the same. This is in line with the previous survey.

### **Impacts of Jobs Act, Affordable Care Act, Minimum Wage**

While seven in 10 small business owners said the 2010 Small Business Jobs Act has had no impact on their business, 18 percent indicated that they did notice benefits, a five-point increase from earlier in the year. Most notably, business owners are recognizing tax relief, up 31 percentage points from January 2016.

Fifty-two percent of business owners said their health care costs have risen as a result of the health care changes. However, for most (80%), the Affordable Care Act has not impacted employment. Seven percent of business owners said the Act has actually increased employment, a three-percentage point gain from January 2016 and closer to 2015 levels (which were at five percent).

When asked about proposed changes to the minimum wage, nearly one-quarter of business owners showed a high level of concern compared to 51 percent who indicated that they were “not at all concerned.” Small business owners in California voiced the greatest concern at 25 percent.

### **Federal Support for Small Businesses**

Forty-five percent of small business owners rate the federal government’s efforts to support small businesses as poor or very poor. This reflects a three-point drop from the previous survey.

Thirty-six percent of respondents rate the efforts as fair. However, nearly 40 percent of respondents said more government programs would help stimulate business growth, followed by lower interest rates (33%) and greater access to capital and credit (28%). One in four said reduced regulation and legislation aimed at keeping jobs in the United States would have the greatest impact.

More than two-thirds said the federal government’s support of minority businesses was fair, good, or very good. This remains consistent with the January 2016 findings.

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Another similar finding to last year is equal pay, with a majority of business owners reporting that these policies remain a low priority. Slightly more than 50 percent said they have not made any conscious efforts to address this issue.

### **Access to Credit, Spending**

Most small business owners said access to credit has remained constant over the past two years. The survey showed a slight drop in loan applications although approvals were up two percentage points to 81 percent. The survey also found a significant uptick in bank and credit union loans, with an increase of 9 percentage points from January 2016 (69% vs. 60%), while other financial sources remained static.

However, business owners are divided when asked if they are prepared for changing interest rates. Fifty-one percent of business owners said they are prepared, while 49 percent are either unsure or admit to being unprepared. This is similar to the results in early 2016.

“The survey results indicate there is increased access to credit within the banking industry, with more small business owners receiving loans or credit to help finance day-to-day operations and growth,” said Kirsten (Didi) Hakes, head of the SBA Lending group at Union Bank. “As the interest rate environment continues to change, it will be important to continue our dialogue with our clients to ensure they’re prepared for any interest-rate hikes and hedging where appropriate.”

A slight majority (52%) of small business owners said they were working the same number of hours at the end of 2016 as they did during the same time last year (vs. 49%); 34 percent said they are working more; and 14 percent said they are working “somewhat or a lot less.” Increased business continues to be the main reason respondents are working more hours.

### **Planning the Future: Ownership Structure**

The proportion of business owners planning changes to ownership structure remains constant, marking a three-year trend. Eight in 10 said their business will continue to operate in its current form. Among those planning a change, selling the business or taking on a partner are the top choices, followed by acquiring a new company.

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The above survey is for informational purposes only. The findings are based on surveys of small businesses, and the information is not a guarantee of actual or future performance.

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## About the Survey

Union Bank, working with its survey partner, surveyed 693 respondents (591 in California and 102 in the Pacific Northwest) online from Dec. 12, 2016 to Jan. 3, 2017. The small business respondents were screened to ensure that they have been in operation for a minimum of two years with owners over the age of 25. The small businesses were defined for the survey as having \$15 million or less in annual sales. The margin of error for the full sample is +/-4 percentage points. For the various regions, the margins of error are as follows: Southern California +/-4%, Northern California +/-7%, and Pacific Northwest +/-10%.

## About MUFG Union Bank, N.A.

MUFG Union Bank, N.A., is a full-service bank with offices across the United States. We provide a wide spectrum of corporate, commercial, and retail banking and wealth management solutions to meet the needs of customers. We also offer an extensive portfolio of value-added solutions for customers, including investment banking, personal and corporate trust, global custody, transaction banking, capital markets, and other services. With assets of \$116.9 billion, as of September 30, 2016, MUFG Union Bank has strong capital reserves, credit ratings, and capital ratios relative to peer banks. MUFG Union Bank is a proud member of the Mitsubishi UFJ Financial Group (NYSE: MTU), one of the world's largest financial organizations with total assets of approximately ¥293.7 trillion (JPY) or \$2.9 trillion (USD)<sup>1</sup>, as of September 30, 2016. The corporate headquarters (principal executive office) for MUFG Americas Holdings Corporation, which is the financial holding company, and MUFG Union Bank is in New York City. The main banking office of MUFG Union Bank is in San Francisco, California.

1 Exchange rate of 1 USD=¥101.12 (JPY) as of September 30, 2016

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