



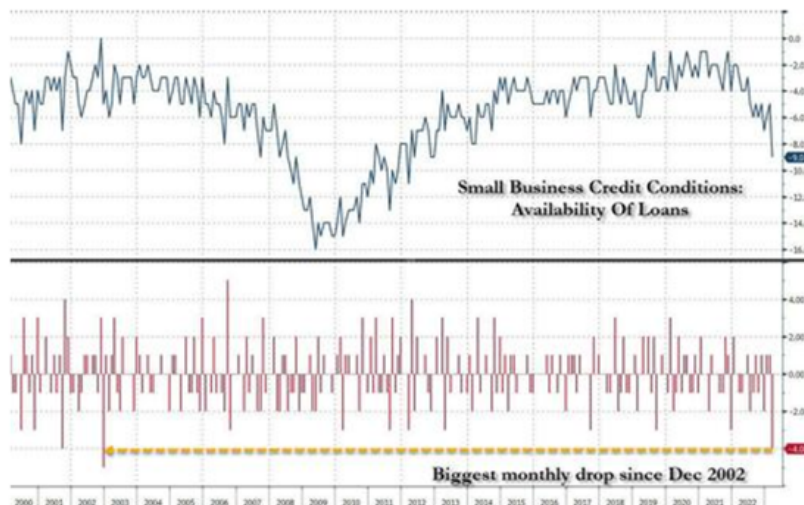
# Harry's Take

April 25, 2023

## Credit Getting Tighter for Small Businesses and All Companies

You know you are in a recession or very close to being in one when you see it getting markedly harder for businesses to get loans. Small businesses are always the most sensitive to such conditions and are denied credit quicker, and this first chart below shows that the availability of loans to small businesses has dropped 9% since December 2021. That is as much as loan availability had dropped by March of 2008 on its way down 16%, two months after the major recession began in January back then. So, economists debating about whether we are in a recession yet should yield to the obvious.

### Small-Business Credit at Same Falling Levels as in Early 2008 Recession



Source: <https://www.zerohedge.com/economics/inside-credit-crunch-biggest-drop-small-business-credit-availability-over-20-years>

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This next set of charts shows that loan availability is dropping for all businesses. The percentage of banks tightening standards on commercial and industrial loans has

already risen to 20%. That tightening got as high as 70% in the 2020 COVID crisis and 80% in the 2008-2009 recession. The fraction reporting that credit is harder to get now vs. three months ago has risen to 3%; it got as high as 5% in 2020 and 14% in 2009. Senior Loan Officer Opinion (SLOO) in late 2021 was that larger loans were easier to get (-40%), but now lending standards are tightening (near 30% and rising fast). That got to near 100% in 2009.

**All Measures Show That Credit Is Tightening Fast for All Businesses**

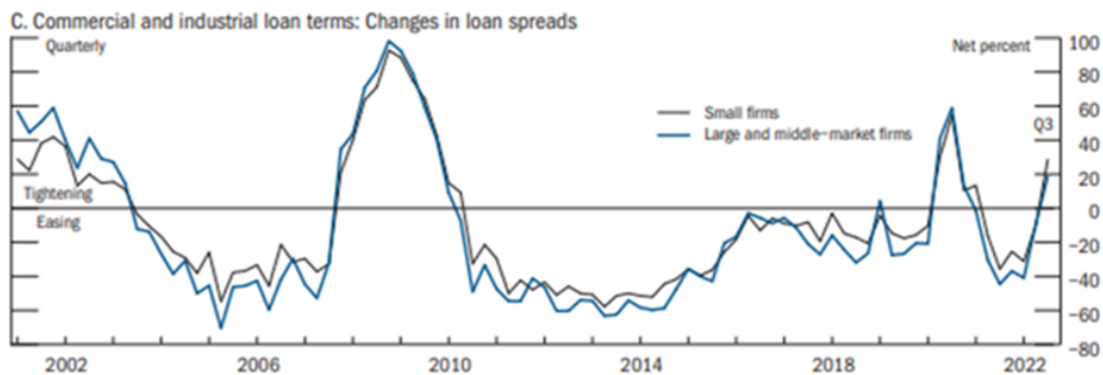
**Credit Availability to Small Businesses, 2001-2022**



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Note: Data are quarterly; not seasonally adjusted.

\* Firms with annual sales of more than \$50 million are considered large.

\*\* This question is only asked of firms reporting that they regularly borrow.

Source: For panels A and C, Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices; for panel B, National Federation of Independent Businesses (NFIB).

Source: <https://www.federalreserve.gov/publications/files/sbfreport2022.pdf>

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Businesses that have not already cut back on capital expenditures and slashed costs and overheads should do so fast. By year-end we should be deep into a recession that should end up worse than 2008-2009 by mid- to late 2024.

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).