

State of the SMB Economy Report

Full Year 2021



enigma

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Introduction

The last two years have been a financial rollercoaster for American small businesses. From pandemic-related store closures and restaurant reopenings to the growth of home delivery and emergence of coronavirus variants, small business owners continue to adapt to the changing landscape.

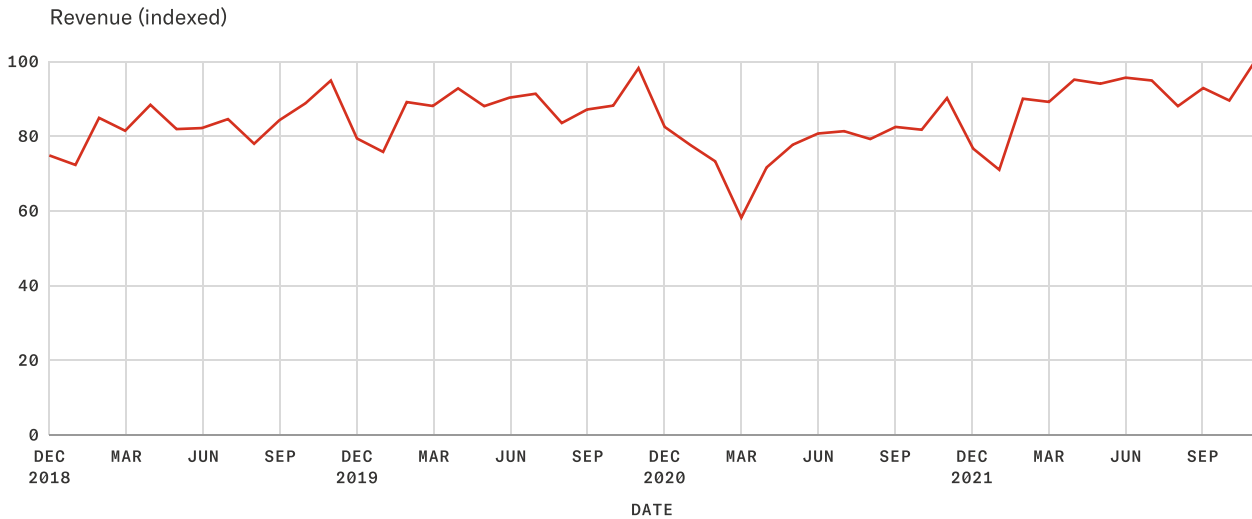
This edition of our small and medium business (SMB) trend report explores the impacts of that turbulence for millions of U.S. businesses for the full year 2021.

In this condensed version, we look at the national landscape, urban and rural variances, retail industry performance, and early effects of inflation. Explore the full, interactive version of the report on [our website](#).

National Trends

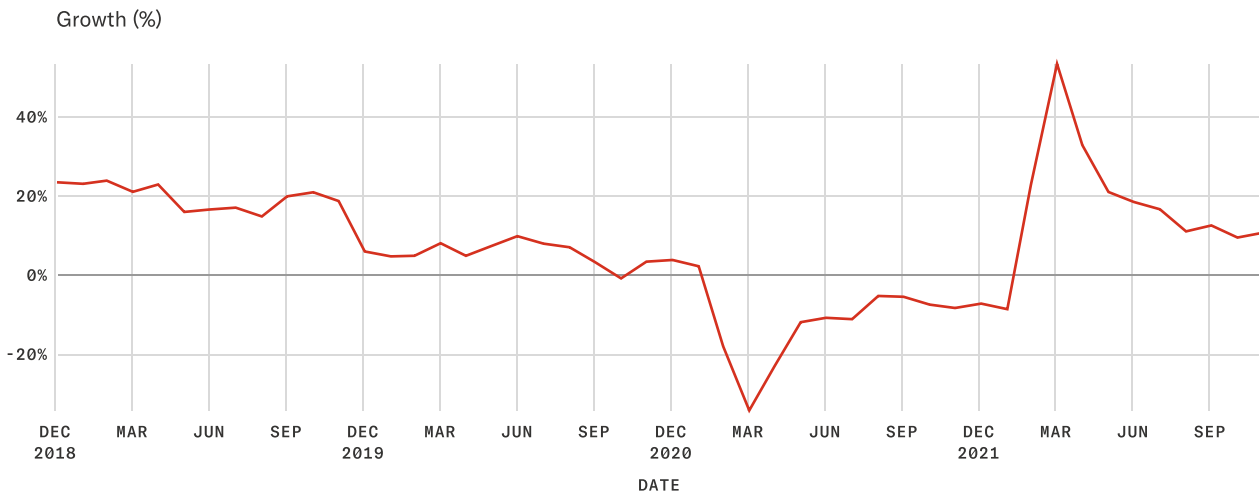
Although 2021 has been difficult, SMBs in our sample nevertheless recorded the highest card revenues on record, totaling over \$500 billion in December 2021.

Monthly credit card revenue, US



And, while revenue shrank by nearly 34% in response to the pandemic in April 2020, revenue grew by over 50% in April 2021, year-on-year.

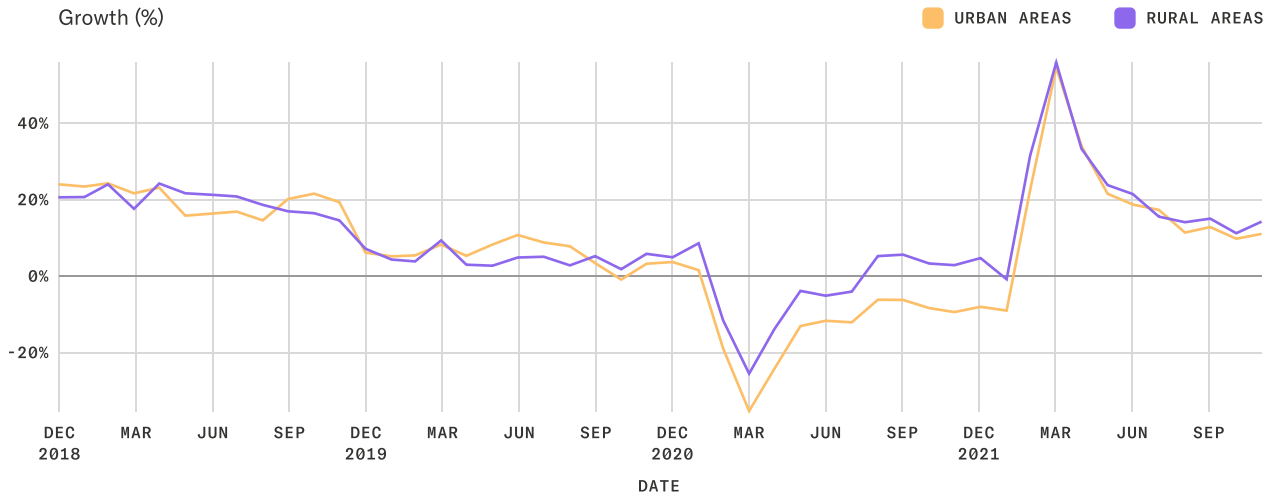
Monthly credit card revenue growth, US



Rural and Urban Counties

We saw a general distinction between rural and urban counties: revenue growth slowed more in urban areas than rural ones when the pandemic began, but both regions saw a nearly identical growth peak of over 50% year-on-year in early 2021.

Monthly credit card revenue growth: urban vs. rural

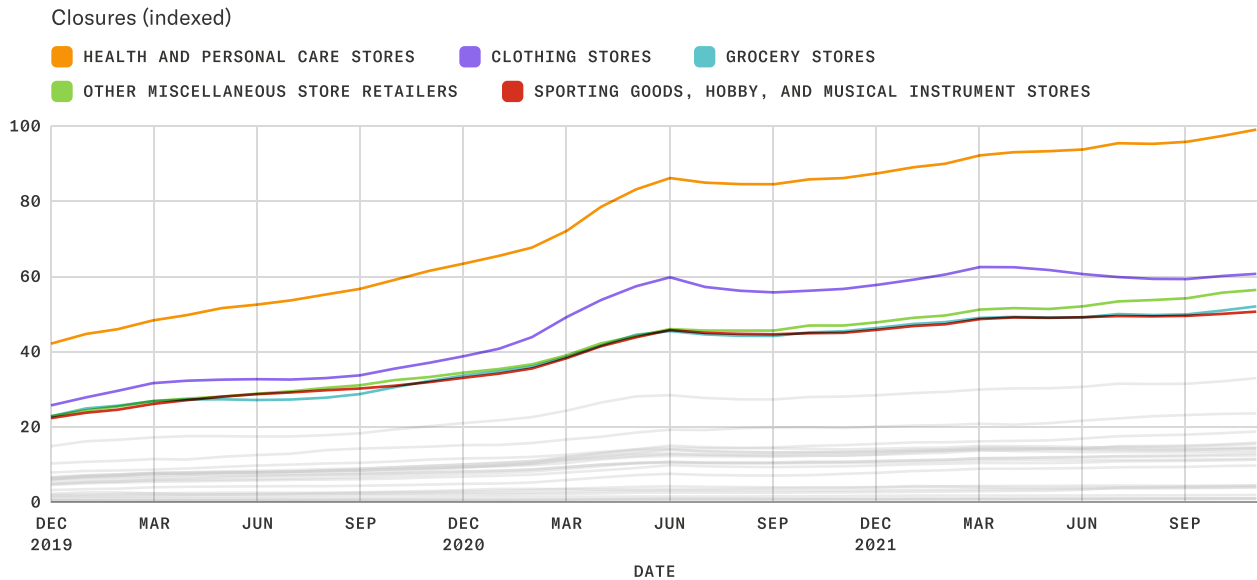


SPOTLIGHT ON:

Retail

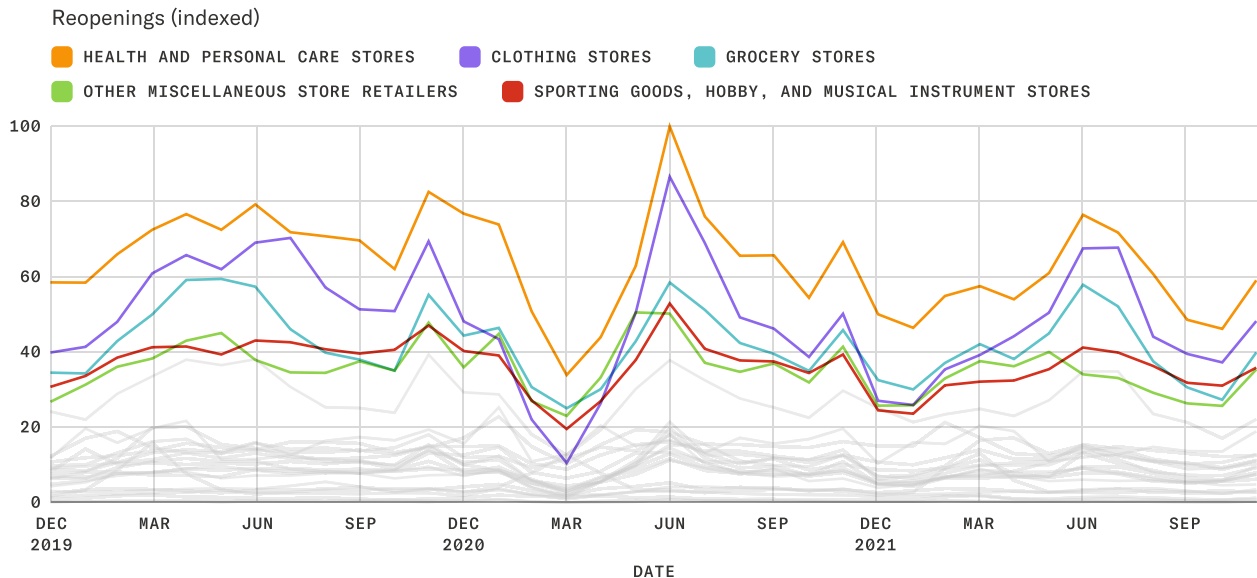
We looked at the retail industry by its smaller sub-sectors. Most tend to follow the same pattern of sharp closures (defined as no transactions for more than 3 months) starting in March 2020, with the trend somewhat peaking in July 2020.

Retail: number of businesses, by sector, closing monthly



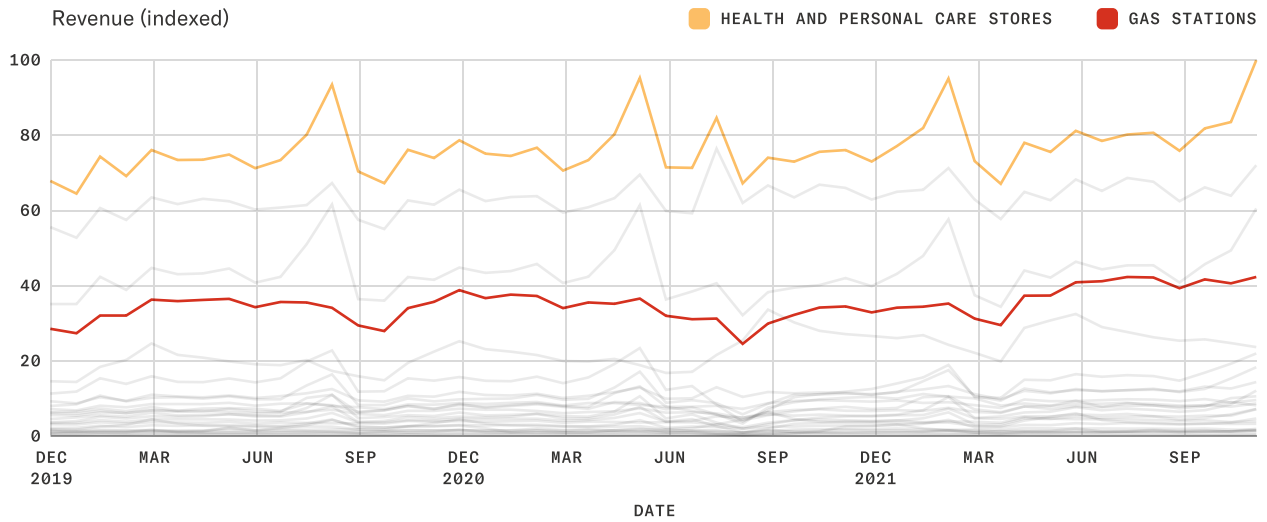
Most sectors' reopenings (defined as a reappearance of transactions after none in the previous 4 months) likewise followed a familiar pattern of low activity at the beginning of the pandemic, peaking in the summer of 2020. The sole exception: lawn and garden equipment supplies, which experienced typical seasonal reopenings in April 2020.

Retail: number of businesses, by sector, reopening monthly



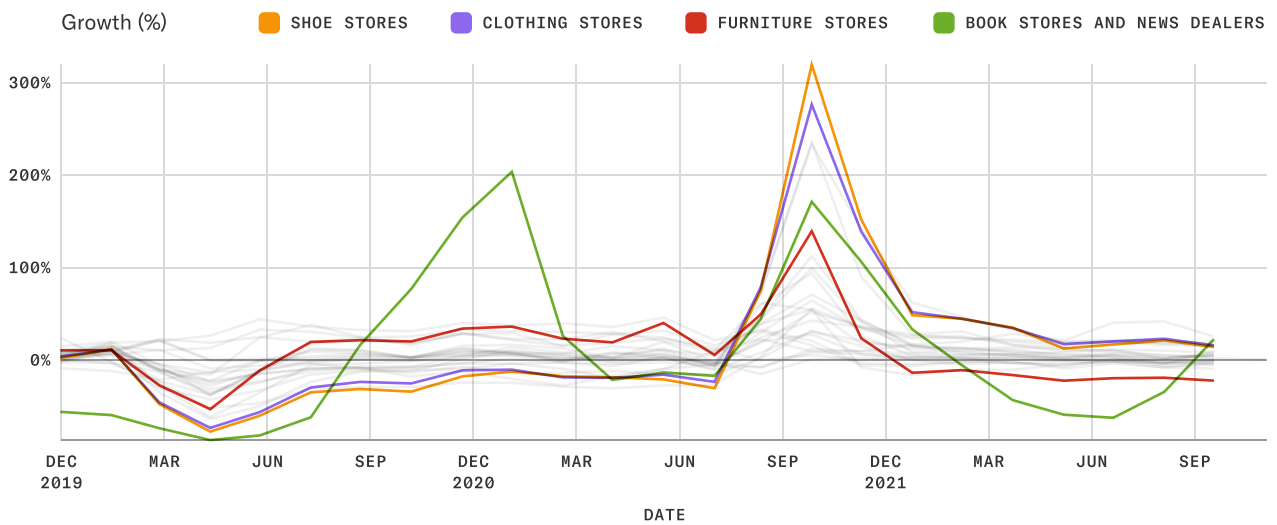
Health and personal care stores and gas stations also saw peak revenue.

Retail: monthly revenue, by sector



Shoe stores and clothing stores showed a strong recovery in 2021, in addition to industries like book stores/news dealers and furniture stores.

Retail: monthly revenue growth, by sector

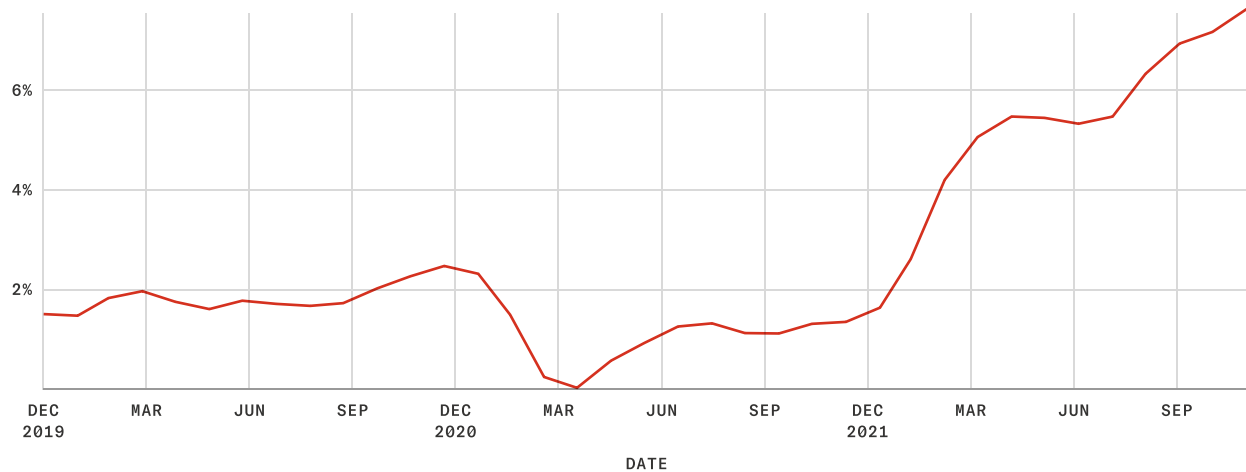


Inflation Impacts

Among the most impactful trends of 2021 has been the growth of inflation. The U.S. Bureau of Statistics reported that for the period from March 2021 to March 2022, its index of all consumer goods prices increased 8.5 percent before seasonal adjustment. The increases for gasoline, shelter, and food contributed most to the seasonally adjusted increase across all items.

U.S. monthly inflation rate

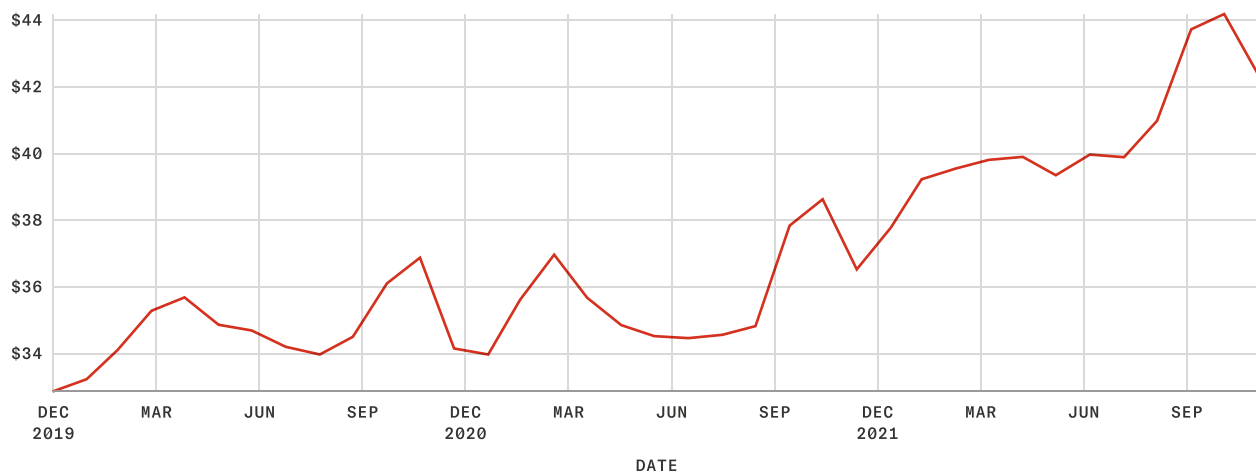
Inflation (%)



The average transaction amount at gas stations was emblematic of this trend, rising to a peak of \$44.16 (compared to prior peaks of \$38.61 in 2020 and \$36.86 in 2019).

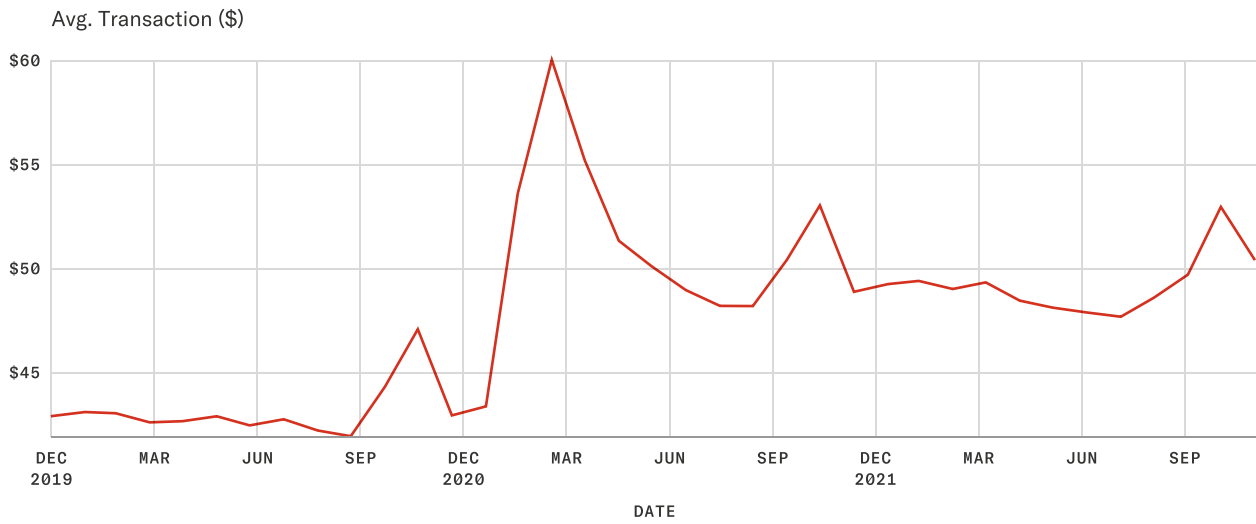
Gas stations: monthly average transaction amount

Avg. Transaction (\$)



Perhaps due to higher food prices, average transaction amounts at grocery stores also rose, though not as high as during the "stock up on supplies" phase of the pandemic.

Grocery stores: monthly average transaction amount



Conclusion

Our data show that many small and medium businesses have recovered from the initial pandemic shock, but this success varies both geographically and by sector. As 2022 progresses, the impact of inflation will top the list of unknowns for small businesses and the broader economy.

For leaders who finance and serve small business customers, conditions like these make accurate, timely data about a business's financial health even more important for sound decision-making.

Methodology

We looked at a sample of over 15 million business locations across the United States in our [Merchant Transaction Signals](#) dataset. For each of these businesses, we analyzed monthly card revenues based on aggregated credit and debit card transactions from a panel of 700 million anonymized cards.

We defined the beginning of the pandemic in the United States as March 2020, when Covid-19 was declared a national emergency. We looked at monthly gross revenues across all businesses for the full year 2021. Because card transactions can show high seasonality, all growth rates cited are year-on-year growth rates. To calculate year-on-year growth rates we use the formula $(\text{Month 2021} - \text{Month 2020}) / \text{Month 2020}$.

To distinguish between rural and urban settings, we selected business entity zip codes and employed their parent counties to classify each business as being located in an "urban" or "rural" area based on the [USDA's classification](#).

All revenue graphs show indexed revenue. If transactions disappeared entirely for more than 3 months, we defined the business as having ceased operations.

Get In Touch

Want to learn more about Enigma's data about small business identity and financial health? Reach out to us at contact@enigma.com or [request a demo](#).

For media inquiries email press@enigma.com.