

News Release

Corporate Communications

Media

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Wells Fargo: Survey shows small business owners continue to see lower business prospects

Despite more stable credit outlook, Wells Fargo/Gallup Small Business falls to new low

SAN FRANCISCO, July 27, 2010 – Though their concerns about credit availability have stabilized, fewer U.S. small business owners expect revenues, cash flow, capital spending and hiring to increase over the next 12 months, according to the latest Wells Fargo/Gallup Small Business Index, conducted in July. The lower expectations for business prospects contributed to a 17-point decline from April in the survey's index of business owner confidence, finishing at (-28), the lowest score since the survey's inception.

"The weakened economy has been particularly hard on small businesses and our bankers are making every effort to help them through this period with financial solutions and guidance," said Marc Bernstein, executive vice president and Wells Fargo's head of Small Business. "We grew small business lending by 30 percent over the previous quarter and -- in an effort to increase approvals -- took a "second look" at declined applications, while continuing to apply our disciplined credit and underwriting principles."

Credit conditions improved modestly for businesses in July with 32 percent of respondents reporting that credit was "somewhat" or "very difficult" to obtain over the past 12 months, down from 36 percent in April. Yet business owners expect credit to remain tight over the next 12 months as 42 percent expect credit to remain "somewhat" or "very difficult" to obtain, the same percentage reported in April and January 2010.

"Slower consumer spending growth appears to be weighing on small business confidence," said Dr. Scott Anderson, Wells Fargo senior economist. "Small businesses are scaling back on hiring and

Together we'll go far



capital spending plans in the third quarter and remain concerned about the overall financial health of their companies."

The Index is the sum of "present situation" and "future expectations" of small business owners for six key measures, including financial situation, cash flow, revenues, capital allocation spending, job hiring and credit availability. The "present situation" score declined four points to negative 26 while the "future expectations" component declined 13 points in July to (-2) - the first negative "future" score in the history of the index.

Index Score: Q3 2010 vs. Q2 2010

	Overall Index <i>Small Business Owner Optimism</i>	Present Situation	Future Expectations
Q3 2010 <i>(surveyed July 2010)</i>	-28	-26	-2
Q2 2010 <i>(surveyed April 2010)</i>	-11	-22	11

Of the six key measures, the following measures served as major drivers of the Index score during this survey:

Future Expectations:

- **Revenues** – 38 percent expect their companies' revenues to increase a lot or a little over the next 12 months, down from 48 percent in Q2 2010
- **Cash Flow** – 43 percent expect their companies' cash flow to increase, down from 53 percent in Q2 2010 (lowest point in survey history)
- **Capital Spending** – 37 percent expect their companies' allocation for capital spending to decrease a lot or a little over the next 12 months, up from 29 percent in Q2 2010
- **Hiring** – 13 percent expect the overall number of jobs at their companies to increase, down from 18 percent in Q2 2010 (lowest point in survey history)

Present Situation:

- **Cash Flow** – 36 percent rated their cash flow as somewhat or very good for the past 12 months, down from 42 percent in Q2 2010 (lowest point in survey history)

About the Small Business Index

For the last 29 quarters, the Wells Fargo/Gallup Small Business Index has surveyed small business owners on current and future perceptions of their business financial situation. The Index consists of two dimensions: 1) owners' ratings of the current situation of their businesses and, 2) owners' ratings

of how they expect their businesses to perform over the next 12 months. Results are based on telephone interviews with 604 small business owners in all 50 United States conducted July 5-12, 2010. The overall Small Business Index is computed from a formula that scores and sums the answers to 12 questions—six about the present situation and six about the future. The overall Index can range from -400 (the most negative score possible) to +400 (the most positive score possible), but in practice spans a much more limited range. An Index score of zero indicates that small business owners, as a group, are neutral—neither optimistic nor pessimistic—about their companies' situations. The margin of sampling error is +/- four percentage points.

About Gallup

For more than 70 years, Gallup has been a recognized leader in the measurement and analysis of people's attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup's current activities consist largely of providing marketing and management research, advisory services and education to the world's largest corporations and institutions.

About Wells Fargo

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with \$1.2 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 10,000 banking stores, 12,000 ATMs, the Internet (wellsfargo.com and wachovia.com), and other distribution channels across North America and internationally. With more than 278,000 team members, Wells Fargo serves one in three households in America. Wells Fargo & Company was ranked #19 on *Fortune's* 2009 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our customers' financial needs and help them succeed financially.

Wells Fargo is America's #1 small business lender (2008 Community Reinvestment Act government data) and a leading lender to women- and diverse-owned businesses. Through its award-winning online advice library of business resources, including topical videos and webcasts, Wells Fargo provides business owners with timely advice and information to help them succeed financially. For more information, speak with a Wells Fargo banker, visit wellsfargo.com/biz or call the National Business Banking Center at 1-800-CALL-WELLS.

Note: Survey results available upon request.

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