

FIRST QUARTER 2009: THE ECONOMY AND SMALL BUSINESS

Trends

- The economic recession deepened in the first quarter of 2009; real gross domestic product fell by an annualized 6.1 percent. One bright spot in the first quarter was positive growth in consumer spending. Other GDP components were down. Real gross private fixed investment fell 38 percent to \$1.44 trillion, mostly from a drop in nonresidential construction. Exports, imports, and industrial production also declined sharply.
- The unemployment rate rose to 8.5 percent in March 2009, the highest since November 1983. The economy lost 2.1 million nonfarm payroll jobs in the first quarter of 2009 (and 5.7 million between December 2007 and April 2009). Only two major industries posted net job gains: the health and education sector and the government sector. Nonfarm labor productivity rose by 0.8 percent on an annual basis, primarily from a large drop in hours worked. Incorporated self-employment fell by 200,000; unincorporated self-employment has recovered to its March 2008 level.
- Federal policymakers have remained active in trying to combat the recession. The American Recovery and Reinvestment Act, signed by President Obama on February 17, provides \$787 billion in stimulus to the economy. The Federal Reserve has kept interest rates low, with its target federal funds rate at essentially zero percent. Other actions have also been taken to shore up the financial and auto industries, as well. Meanwhile, venture capital deals were off significantly; the total invested fell to \$549 billion from \$866 billion in the previous quarter.
- The consumer price index rose an annualized 2.2 percent during the quarter, but the country has experienced moderate deflation since March 2008. Producer prices fell by an annualized 7.3 percent, as price cuts became widespread. Overall employment costs have remained steady; wages and salaries and benefits were up an annualized 0.7 percent.
- Small business owners and the public remained pessimistic. Poor sales and access to credit are major issues for small business owners. However, the most recent American Express Small Business Monitor survey shows that 37 percent of small businesses see growth opportunities in the next six months, with 28 percent planning to hire employees in the coming months.

Small Business Indicators

	Last five years					Last five quarters					Trends	
	2004	2005	2006	2007	2008	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	This Quarter	Q1-08 to Q1-09
AmEx: growth opportunities, next 6 mos. (percent)*	73.0	67.0	55.5	75.0	72.5	71.0	--	74.0	--	37.0	↓ 37.0 *	↓ 34.0
AmEx: hiring plans over next 6 mos. (percent)*	40.5	40.5	36.5	33.5	37.0	38.0	--	36.0	--	28.0	↓ 8.0 *	↓ 10.0
Business bankruptcy filings (thousands)	34.3	39.2	19.7	28.3	43.5	8.7	9.7	11.5	12.9	--	--	--
Proprietors' income (\$billion, current dollars)	911.1	970.7	1015.1	1042.6	--	1071.7	1076.9	1080.5	1060.5	1040.7	↓ 7.3% (a)	↓ 2.9%
Prime bank loan rate	4.3	6.2	8.0	8.1	5.1	6.2	5.1	5.0	4.0	3.3	↓ 0.8	↓ 3.0
Rates for smallest loans (\$10,000 to \$99,999):†												
Variable rate loans, repricing terms of 2-30 days	4.4	6.0	7.7	7.7	5.0	5.6	4.9	4.9	4.7	3.2	↓ 1.5	↓ 2.4
Variable rate loans, repricing terms of 31-365 days	6.2	7.1	8.4	8.6	6.9	7.4	6.9	6.7	6.4	5.6	↓ 0.8	↓ 1.8
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	13.1	9.0	4.6	-4.3	-55.5	-30.4	-51.8	-65.3	-74.6	-69.2	↑ 5.4	↓ 38.8
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	25.9	27.3	0.2	-11.0	-15.6	-23.6	-16.1	-15.4	-7.4	-57.6	↓ 50.2	↓ 34.0
Venture investment: number of deals	3098	3164	3696	3967	3884	997	1051	970	866	549	↓ 317	↓ 448
Venture investment: total invested (\$billion)	22.2	23.0	26.5	30.8	28.2	7.7	7.6	7.3	5.7	3.0	↓ 2.7	↓ 4.7

*Semiannual data; quarterly change compares spring 2009 to fall 2008. †Effective Q4-08, "smallest" loans are defined as \$10,000 to \$99,999; previous quarters use less than \$100,000.

Notes: a=annualized growth rate. American Express surveys are for spring (Q1) and fall (Q3) only. Senior loan officers' responses are from the January 2009 survey. C&I = commercial and industrial loans. Trends may reflect rounding error.

Sources: OPEN from American Express Small Business Monitor; Administrative Office of the U.S. Courts; Federal Reserve Board; National Venture Capital Association; U.S. Department of Commerce, Bureau of Economic Analysis.

	Last five years					Last five months (2008-2009)					Trends	
	2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
NFIB Small Business Optimism Index (1986 = 100)	104.6	101.6	98.9	96.7	89.8	87.8	85.2	84.1	82.6	81.0	↓ 4.2	↓ 8.6
NFIB: next 3 mos. "good time to expand" (% of respondents)	22.3	20.6	17.4	13.9	6.5	7.0	7.0	6.0	3.0	1.0	↓ 6.0	↓ 4.0
NFIB: net percent planning to hire in the next 3 months	15.3	14.4	14.6	12.9	3.8	-4.0	-6.0	-6.0	-3.0	-10.0	↓ 4.0	↓ 13.0
Self-employed, incorporated (millions)	5.2	5.3	5.5	5.8	5.8	5.9	5.8	5.6	5.6	5.6	↓ 0.2	↓ 0.2
Self-employed, unincorporated (millions)	10.4	10.5	10.6	10.4	10.1	9.6	9.6	9.4	9.7	9.9	↑ 0.3	0

Sources: National Federation of Independent Business; Current Population Survey, U.S. Bureau of Labor Statistics.

For previous quarterly indicators, visit www.sba.gov/advo/research/sbei.html. Note that historical data are revised periodically, and this version reflects such changes.

Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2008-2009)					Trends	
		2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
Goods-producing industries	58.48	21.88	22.19	22.53	22.23	21.41	20.81	20.53	20.13	19.83	19.51	↓ 1.02	↓ 2.29
Natural resources and mining	49.21	0.59	0.63	0.68	0.72	0.77	0.79	0.79	0.78	0.77	0.76	↓ 0.03	0
Construction	85.36	6.97	7.33	7.69	7.63	7.21	6.94	6.84	6.71	6.59	6.46	↓ 0.38	↓ 0.94
Manufacturing	44.43	14.32	14.23	14.16	13.88	13.42	13.08	12.90	12.64	12.47	12.30	↓ 0.60	↓ 1.34
Service-producing industries	48.24	109.54	111.51	113.56	115.37	115.64	114.94	114.54	114.21	113.82	113.44	↓ 1.10	↓ 2.58
Trade, transportation and utilities	43.93	25.53	25.96	26.28	26.63	26.38	26.01	25.84	25.74	25.61	25.47	↓ 0.37	↓ 1.16
Wholesale trade	61.12	5.66	5.76	5.90	6.02	5.96	5.89	5.85	5.82	5.77	5.74	↓ 0.11	↓ 0.26
Retail trade	40.05	15.06	15.28	15.36	15.52	15.36	15.13	15.04	14.99	14.93	14.87	↓ 0.17	↓ 0.64
Information	26.32	3.12	3.06	3.04	3.03	3.00	2.97	2.94	2.92	2.92	2.90	↓ 0.04	↓ 0.12
Financial activities	41.80	8.03	8.15	8.33	8.30	8.14	8.04	8.01	7.95	7.90	7.86	↓ 0.14	↓ 0.35
Professional and business services	43.11	16.39	16.95	17.57	17.95	17.78	17.49	17.36	17.21	17.03	16.90	↓ 0.46	↓ 1.06
Education and health services	47.76	16.95	17.37	17.83	18.32	18.86	19.04	19.08	19.12	19.14	19.15	↑ 0.07	↑ 0.45
Leisure and hospitality	60.89	12.49	12.81	13.11	13.43	13.46	13.34	13.30	13.27	13.24	13.19	↓ 0.11	↓ 0.33
Other services	85.44	5.41	5.39	5.44	5.49	5.53	5.51	5.48	5.46	5.45	5.43	↓ 0.05	↓ 0.11
Government	0	21.62	21.81	21.97	22.22	22.50	22.54	22.53	22.54	22.55	22.54	↑ 0.01	↑ 0.10

Notes: Seasonally adjusted. See www.bls.gov/ces/cessuper.htm for NAICS code equivalents for each sector. The small business percentage by sector is based on 2006 firm size data; leisure and hospitality uses 2005 information due to 2006 data suppressions. See www.sba.gov/advo/research/us06_n6.pdf. Trends may reflect rounding error.

Sources: U.S. Small Business Administration, Office of Advocacy, using data from the U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics.

Macroeconomic Indicators

	Last five years					Last five quarters					Trends (percent)	
	2004	2005	2006	2007	2008	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	This Quarter	Q1-08 to Q1-09
Real gross domestic product												
Level (\$billion)	10675.7	10989.5	11294.9	11523.9	11652.0	11646.0	11727.4	11712.4	11522.1	11340.9	↓ 6.1% (a)	↓ 2.6%
Annual percentage change*	3.6	2.9	2.8	2.0	1.1	0.9	2.8	-0.5	-6.3	-6.1		
Real personal consumption expenditures (\$billion)*	7561.4	7791.7	8028.9	8252.8	8272.1	8316.1	8341.3	8260.6	8170.5	8214.2	↑ 2.2% (a)	↓ 1.2%
Real gross private fixed investment (\$billion)*	1712.8	1829.8	1865.5	1808.6	1718.9	1762.4	1754.9	1731.1	1627.0	1444.3	↓ 37.9% (a)	↓ 18.0%
Federal government surplus or deficit (\$billion)	-370.6	-291.7	-201.1	-229.3	-521.5	-330.7	-649.6	-544.1	-561.5	--	--	--
Real exports of goods and services (\$billion)*	1126.1	1205.3	1314.9	1425.9	1514.1	1500.6	1544.7	1556.1	1454.9	1331.0	↓ 30.0% (a)	↓ 11.3%
Real imports of goods and services (\$billion)*	1720.0	1821.9	1930.5	1972.4	1904.3	1962.6	1926.0	1909.1	1819.4	1639.5	↓ 34.1% (a)	↓ 16.5%
Corporate profits after tax (\$billion)	923.9	1034.3	1199.6	1192.1	1109.9	1190.6	1126.5	1121.3	1001.2	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	131.6	133.9	135.1	137.1	140.9	139.4	141.0	141.7	141.5	141.8	↑ 0.8% (a)	↑ 1.7%
Employment cost index: private sector wages & salaries (2005=100)	96.8	99.2	102.0	105.5	108.7	107.6	108.4	109.0	109.6	109.8	↑ 0.7% (a)	↑ 2.0%
Employment cost index: private sector benefits (2005=100)	94.8	99.2	102.1	104.5	107.2	106.4	106.9	107.5	107.9	108.1	↑ 0.7% (a)	↑ 1.6%

Notes: Seasonally adjusted; *Chained 2000 dollars; a=annualized growth rate. Real GDP and its components are preliminary data. Trends may reflect rounding error.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics.

	Last five years					Last five months (2008-2009)					Trends	
	2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
Unemployment rate (seasonally adjusted)	5.5	5.1	4.6	4.6	5.8	6.8	7.2	7.6	8.1	8.5	↑ 1.3	↑ 3.4
Civilian employment—16 years and older (millions, seasonally adjusted)	139.2	141.7	144.4	146.0	145.4	144.1	143.3	142.1	141.7	140.9	↓ 2.5	↓ 5.1
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	3.1	2.6	2.3	2.3	3.2	4.0	4.5	4.6	5.3	5.7	↑ 1.2	↑ 3.3
Nonfarm payrolls (millions, seasonally adjusted)	131.4	133.7	136.2	137.6	137.0	135.8	135.1	134.3	133.7	133.0	↓ 2.1	↓ 4.8
Producer price index (1982=100)	146.7	157.4	164.8	172.7	189.6	176.8	171.3	171.0	169.5	168.1	↓ 7.3% (a)	↓ 10.5%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	188.9	195.3	201.6	207.3	215.6	213.3	211.6	212.2	213.0	212.7	↑ 2.2% (a)	↓ 0.5%
Consumer price index (all urban consumer; all items less food & energy; seas. adj., 1982-84=100)	196.6	200.9	205.9	210.7	215.6	216.9	216.9	217.3	217.7	218.0	↑ 2.2% (a)	↑ 1.8%
Univ. of Mich. Consumer Sentiment (1966=100)	95.2	88.6	87.3	85.6	63.8	55.3	60.1	61.2	56.3	57.3	↓ 2.8	↓ 12.2
Spot oil price/barrel: West Texas intermediate crude	41.4	56.5	66.1	72.4	99.6	57.4	41.0	41.7	39.2	48.0	↑ 7.0	↓ 57.6
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	2.0	2.1	1.8	1.3	0.9	0.7	0.6	0.5	0.6	0.5	↓ 0.1	↓ 0.5
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	59.1	54.4	53.1	51.1	45.5	36.6	32.9	35.6	35.8	36.3	↑ 3.4	↓ 12.7
Industrial production (2002=100, seasonally adj.)	103.8	107.2	109.7	111.3	108.8	104.9	102.4	100.3	98.8	97.4	↓ 18.6% (a)	↓ 12.8%
3-month Treasury bills (secondary market rate)	1.37	3.15	4.73	4.35	1.37	0.19	0.03	0.13	0.30	0.21	↑ 0.18	↓ 1.05
10-year Treasury note (constant maturity rate)	4.27	4.29	4.79	4.63	3.67	3.53	2.42	2.52	2.87	2.82	↑ 0.40	↓ 0.69

Notes: a = annualized growth rate. Trends may reflect rounding error.

Sources: Federal Reserve Board; Dow Jones Energy Service; U.S. Department of Commerce, Bureau of the Census; Institute for Supply Management; U.S. Department of Labor, Bureau of Labor Statistics; University of Michigan, Survey of Consumers.