

SECOND QUARTER 2009: THE ECONOMY AND SMALL BUSINESS

Trends

- Real gross domestic product fell an annualized 1 percent in the second quarter of 2009. While this was the fourth consecutive quarter of declining output, the decline was significantly less than the previous quarter's 6.4 percent drop, and it may be one of a handful of signs that the worst of the recession may be past. Real consumer spending, which accounts for 70 percent of real GDP, was down 1.2 percent annually, and real exports were off 7 percent. Other declines were more marked: real gross private fixed investment declined an annualized 20.5 percent, and real imports fell 15.1 percent. Measures of manufacturing output were mixed, with industrial production falling and the Institute for Supply Management's purchasing manager's index rising. Proprietors' income fell 5.4 percent on an annualized basis during the quarter, and by 8 percent year to year.
- Small business owners and the public were more optimistic in the second quarter, despite underlying economic anxiety, according to the National Federation of Independent Business's (NFIB) optimism index and the University of Michigan's consumer sentiment survey. While poor sales continued as the top concern for small business owners according to NFIB, more survey respondents indicated that the next three months were a good time to expand (albeit at lower levels than desired).
- The unemployment rate rose to 9.5 percent in June 2009, the highest since August 1983, and job losses since December 2007 amounted to 6.5 million nonfarm payroll jobs. Nevertheless, fewer jobs were lost in the second quarter (1.3 million) than in the first (2.1 million). The only sectors experiencing net job gains were education and health services and other services. Nonfarm productivity rose 6.4 percent on an annualized basis, its highest rate since 2003. Unincorporated self-employment held at the same level as in 2007 and 2008, but the number of incorporated self-employed individuals had fallen by about a half million since 2008.
- Interest rates remained low, with long-term Treasury notes inching up slightly. The Federal Reserve maintained its target federal funds rate of essentially zero in an effort to combat the credit crunch. SBA guaranteed lending has experienced a 50 percent rise in the weekly loan volume of the 7(a) and 504 programs since March 2009 (compared to the weekly average before). The rise is attributable to increased demand, implementation of the federal stimulus, and efforts to stimulate the secondary lending market. Venture capital deals increased by an additional \$500 million from the previous quarter, but the volume was less than half of last year's level.
- Inflationary pressures were modest: consumer prices rose 3.3 percent on an annualized basis (or 2.4 percent omitting energy and food costs), despite a spike in the price of oil, which rose \$21.70 a barrel during the quarter.

Small Business Indicators

	Last Five Years					Last Five Quarters					Trends	
	2004	2005	2006	2007	2008	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	This Quarter	Q2-08 to Q2-09
Business bankruptcy filings (thousands)	34.3	39.2	19.7	28.3	43.5	9.7	11.5	12.9	14.3	--	--	--
Proprietors' income (\$billion, current dollars)	911.6	959.8	1014.7	1056.3	1072.4	1111.9	1114.4	1083.6	1037.8	1023.4	↓ 5.4% (a)	↓ 8.0%
Prime bank loan rate	4.3	6.2	8.0	8.1	5.1	5.1	5.0	4.0	3.3	3.3	0	↓ 1.8
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	4.9	4.9	4.7	3.2	3.6	↑ 0.4	↓ 1.3
Variable rate loans, repricing terms of 31-365 days	6.2	7.1	8.4	8.6	6.9	6.9	6.7	6.4	5.6	5.5	↓ 0.1	↓ 1.4
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	-51.8	-65.3	-74.6	-69.2	-42.3	↑ 26.9	↑ 9.5
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	-16.1	-15.4	-7.4	-57.6	-63.5	↓ 5.9	↓ 47.4
Venture investment: number of deals	3104	3167	3705	3984	3929	1059	980	884	603	612	↑ 9.0	↓ 447.0
Venture investment: total invested (\$billion)	22.1	22.9	26.3	30.6	28.1	7.6	7.2	5.7	3.2	3.7	↑ 0.5	↓ 3.9

*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. Senior loan officers' responses are from the April 2009 survey. C&I = commercial and industrial loans. Trends may reflect rounding error.

Sources: 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 (2009)					Trends	
	2004	2005	2006	2007	2008	Feb	Mar	Apr	May	June	This Quarter	June 08 to June 09
NFIB Small Business Optimism Index (1986 = 100)	104.6	101.6	98.9	96.7	89.8	82.6	81.0	86.8	88.9	87.9	↑ 6.9	↓ 1.3
NFIB: next 3 mos. "good time to expand" (% of respondents)	22.3	20.6	17.4	13.9	6.5	3.0	1.0	4.0	5.0	4.0	↑ 3.0	0
NFIB: net percent planning to hire in the next 3 months	15.3	14.4	14.6	12.9	3.8	-3.0	-10.0	-5.0	-5.0	-1.0	↑ 9.0	↓ 6.0
Self-employed, incorporated (millions)	5.2	5.3	5.5	5.8	5.8	5.6	5.6	5.5	5.5	5.3	↓ 0.3	↓ 0.4
Self-employed, unincorporated (millions)	10.4	10.5	10.6	10.4	10.1	9.7	9.9	10.0	10.0	10.1	↑ 0.2	↓ 0.4

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, except where noted)

	Percent Small Business	Last Five Years					Last Five Months (2009)					Trends (in actual terms)	
		2004	2005	2006	2007	2008	Feb	Mar	Apr	May	June	This Quarter	June 08 to June 09
Goods-producing industries	58.48	21.88	22.19	22.53	22.23	21.41	19.83	19.52	19.25	19.04	18.82	↓705,000	↓2.69 million
Natural resources and mining	49.21	0.59	0.63	0.68	0.72	0.77	0.77	0.75	0.74	0.73	0.72	↓33,000	↓49,000
Construction	85.36	6.97	7.33	7.69	7.63	7.21	6.59	6.47	6.37	6.32	6.24	↓230,000	↓992,000
Manufacturing	44.43	14.32	14.23	14.16	13.88	13.42	12.47	12.30	12.15	11.99	11.85	↓442,000	↓1.65 million
Service-providing industries	48.24	109.54	111.51	113.56	115.37	115.64	113.82	113.48	113.23	113.12	112.88	↓603,000	↓2.97 million
Trade, transportation and utilities	43.93	25.53	25.96	26.28	26.63	26.38	25.61	25.48	25.37	25.31	25.26	↓216,000	↓1.20 million
Wholesale trade	61.12	5.66	5.76	5.90	6.02	5.96	5.77	5.74	5.71	5.69	5.68	↓63,900	↓305,700
Retail trade	40.05	15.06	15.28	15.36	15.52	15.36	14.93	14.87	14.84	14.82	14.80	↓71,300	↓603,300
Information	26.32	3.12	3.06	3.04	3.03	3.00	2.92	2.91	2.88	2.86	2.84	↓67,000	↓168,000
Financial activities	41.80	8.03	8.15	8.33	8.30	8.14	7.90	7.86	7.81	7.78	7.75	↓103,000	↓408,000
Professional and business services	43.11	16.39	16.95	17.57	17.95	17.78	17.03	16.91	16.78	16.74	16.62	↓293,000	↓1.21 million
Education and health services	47.76	16.95	17.37	17.83	18.32	18.86	19.14	19.16	19.18	19.22	19.26	↑98,000	↑413,000
Leisure and hospitality	60.89	12.49	12.81	13.11	13.43	13.46	13.24	13.20	13.17	13.19	13.17	↓34,000	↓322,000
Other services	85.44	5.41	5.39	5.44	5.49	5.53	5.45	5.43	5.42	5.42	5.43	↑1,000	↓108,000
Government	0	21.62	21.81	21.97	22.22	22.50	22.55	22.54	22.62	22.61	22.55	↑11,000	↑32,000

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_nb.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	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	This Quarter	Q2-08 to Q2-09
Real gross domestic product Level (\$billion)*	12263.1	12637.6	12975.2	13252.5	13312.9	13416.3	13329.7	13144.0	12928.9	12895.6	↓1.0% (a)	↓3.9%
Annual percentage change*	3.6	3.1	2.7	2.1	0.5	1.7	-2.6	-5.5	-6.4	-1.0		
Real personal consumption expenditures (\$billion)*	8532.1	8818.4	9073.1	9313.6	9291.0	9351.1	9268.0	9195.5	9209.5	9180.7	↓1.2% (a)	↓1.8%
Real gross private fixed investment (\$billion)*	2057.8	2171.9	2230.1	2145.3	1990.4	2027.9	1996.0	1859.6	1561.2	1474.0	↓20.5% (a)	↓27.3%
Federal government surplus or deficit (\$billion, annual rate)	-379.4	-283.0	-203.8	-236.5	-642.6	-796.9	-665.7	-674.1	-959.5	--	--	--
Real exports of goods and services (\$billion)*	1222.6	1304.9	1421.8	1545.4	1628.4	1669.6	1654.3	1567.2	1433.8	1408.2	↓7.0% (a)	↓15.7%
Real imports of goods and services (\$billion)*	1909.9	2027.2	2151.1	2193.9	2122.3	2145.3	2133.0	2037.4	1819.7	1746.9	↓15.1% (a)	↓18.6%
Corporate profits after tax (\$billion)	940.9	1043.7	1135.0	1090.2	1068.2	1086.3	1149.8	900.4	912.4	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	131.6	133.9	135.1	140.1	142.6	142.8	142.8	143.1	143.2	145.5	↑6.4% (a)	↑1.9%
Employment cost index: private sector wages & salaries (2005=100)	96.8	99.2	102.0	105.5	108.7	108.4	109.0	109.6	109.8	110.0	↑0.7% (a)	↑1.5%
Employment cost index: private sector benefits (2005=100)	94.8	99.2	102.1	104.5	107.2	106.9	107.5	107.9	108.1	108.3	↑0.7% (a)	↑1.3%

Notes: Seasonally adjusted; *Chained 2005 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	Feb	Mar	Apr	May	June	This Quarter	June 08 to June 09
Unemployment rate (seasonally adjusted)	5.5	5.1	4.6	4.6	5.8	8.1	8.5	8.9	9.4	9.5	↑1.0	↑3.9
Civilian employment—16 years and older (millions, seasonally adjusted)	139.2	141.7	144.4	146.0	145.4	141.7	140.9	141.0	140.6	140.2	↓811,000	↓5.54 mil.
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	3.1	2.6	2.3	2.3	3.2	5.3	5.7	6.2	7.0	7.8	↑2.12 mil.	↑4.87 mil.
Nonfarm payrolls (millions, seasonally adjusted)	131.4	133.7	136.2	137.6	137.0	133.7	133.0	132.5	132.2	131.7	↓1.65 mil.	↓5.67 mil.
Producer price index (1982=100)	146.7	157.4	164.8	172.7	189.6	169.3	168.1	168.7	170.2	174.1	↑15.1% (a)	↓13.2%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	188.9	195.3	201.6	207.3	215.6	213.0	212.7	212.7	212.9	214.5	↑3.3% (a)	↓1.2%
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	217.7	218.0	218.6	218.9	219.3	↑2.4% (a)	↑1.7%
Univ. of Mich. Consumer Sentiment (1966=100)	95.2	88.6	87.3	85.6	63.8	56.3	57.3	65.1	68.7	70.8	↑13.5	↑14.4
Spot oil price/barrel: West Texas intermediate crude	41.4	56.5	66.1	72.4	99.6	39.2	48.0	49.8	59.2	69.7	↑\$21.70	↓\$64.25
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	2.0	2.1	1.8	1.3	0.9	0.6	0.5	0.5	0.6	0.6	↑61,000	↓496,000
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	59.1	54.4	53.1	51.1	45.5	35.8	36.3	40.1	42.8	44.8	↑8.5	↓4.7
Industrial production (2002=100, seasonally adj.)	103.8	107.2	109.7	111.3	108.8	99.4	97.7	96.9	95.8	95.4	↓8.9% (a)	↓13.6%
3-month Treasury bills (secondary market rate)	1.37	3.15	4.73	4.35	1.37	0.30	0.21	0.16	0.18	0.18	↓0.03	↓1.68
10-year Treasury note (constant maturity rate)	4.27	4.29	4.79	4.63	3.67	2.87	2.82	2.93	3.29	3.72	↑0.90	↓0.38

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.