

FOURTH QUARTER 2009: THE ECONOMY AND SMALL BUSINESS

Trends

- The U.S. economy rebounded in the fourth quarter; real GDP grew by an annualized 5.7 percent. Much of this growth stemmed from inventory replacement. Other contributing factors were growth in real personal consumption (2 percent) and real exports (18.1 percent) and slowing growth of imports (10.5 percent, all at annualized rates). Both the Federal Reserve's industrial production index and the Institute for Supply Management's manufacturing composite index reflected strong growth during the quarter.
- Unemployment remained high, ending the year at 10 percent. The economy lost 310,000 net jobs during the quarter and 4.8 million during 2009. The overall pace of net job loss slowed somewhat, and the service sector showed signs of a turnaround. Net job gains occurred in professional and business services, education and health services, and natural resources and mining. Nonfarm labor productivity rose an annualized 6.2 percent, suggesting that those who were employed were working harder. Self-employment for 2009 was down slightly from recent years.
- Small business owners and the public were cautiously optimistic. Both the University of Michigan's consumer sentiment survey and the National Federation of Independent Business's small business optimism index ended the year at higher levels than their 2009 averages, reflecting stronger confidence in the economy. However, small business owners remained tentative about business expansion and hiring, with lingering concerns about poor sales, access to credit, and other issues.
- Interest rates stayed historically low, while small business credit issues persisted. The Senior Loan Officers' survey reported continued weakness in small firm demand for commercial and industrial loans. Meanwhile, small businesses cited a lack of credit as one of their chief problems. SBA-guaranteed lending remained a bright spot, with the average 7(a) lending in the fourth quarter up 144 percent over the dollar value of loans in the first quarter; for 504 loans, the increase was 87.8 percent. (The end-of-year volatility shown in the table stems from very high monthly totals in September and November.) The number of venture capital deals rose steadily throughout 2009, but the overall volume was significantly off the 2008 level.
- Consumer prices rose modestly. The consumer price index rose at a 3.3 percent annual rate; when food and energy costs are omitted, consumer prices increased an annualized 1.3 percent. Producer prices rose at a much faster rate (an annualized 8.3 percent), suggesting that firms have been unable to pass along higher costs to their customers. Employers increased wages, salaries, and benefits modestly between fourth quarter 2008 and 2009. Oil prices rose \$5 a barrel in the quarter and \$33 in 2009.

Small Business Indicators

	Last Five Years					Last Five Quarters					Trends	
	2005	2006	2007	2008	2009	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	This Quarter	Q4-08 to Q4-09
Business bankruptcy filings (thousands)	39.2	19.7	28.3	43.5	--	12.9	14.3	16.0	15.2	--	--	--
Proprietors' income (\$billion, current dollars)	959.8	1014.7	1056.3	1072.4		1083.6	1037.8	1028.0	1037.9	1065.5	↑ 11.1% (a)	↓ 1.7%
Prime bank loan rate	6.2	8.0	8.1	5.1	3.3	4.0	3.3	3.3	3.3	3.3	0	↓ 0.4
Rates for smallest loans (\$10,000 to \$99,999):*												
Variable rate loans, repricing terms of 2-30 days	6.0	7.7	7.7	5.0	3.8	4.7	3.2	3.6	3.9	4.4	↑ 0.5	↓ 0.3
Variable rate loans, repricing terms of 31-365 days	7.1	8.4	8.6	6.9	5.6	6.4	5.6	5.5	5.5	5.9	↑ 0.4	↓ 0.5
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	9.0	4.6	-4.3	-55.5	-40.4	-74.6	-69.2	-42.3	-33.9	-16.1	↑ 17.8	↑ 58.5
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	27.3	0.2	-11.0	-15.6	-52.9	-7.4	-57.6	-63.5	-54.6	-35.7	↑ 18.9	↓ 28.3
Venture investment: number of deals	3208	3746	4027	3985	2795	910	632	680	689	794	↑ 105	↓ 116
Venture investment: total invested (\$billion)	23.0	26.3	30.5	28.0	17.7	5.9	3.4	4.2	5.1	5.0	↓ 0.1	↓ 0.9

*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 October 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	
	2005	2006	2007	2008	2009	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 08 to Dec 09
SBA 7(a) loan volume dollar value (\$billion, calendar year)	15.0	14.5	14.2	11.4	11.2	1.0	1.3	1.2	1.7	1.0	↓ \$242.5 mil.	↑ \$305.6 mil.
SBA 504 loan volume dollar value (\$billion, calendar year)	5.5	5.7	6.4	4.7	4.1	0.4	0.7	0.3	0.5	0.4	↓ \$282.9 mil.	↑ \$99.2 mil.
NFIB Small Business Optimism Index (1986 = 100)	101.6	98.9	96.7	89.8	86.7	88.6	88.8	89.1	88.3	88.0	↓ 0.8	↑ 2.8
NFIB: next 3 mos. "good time to expand" (% of respondents)	20.6	17.4	13.9	6.5	5.3	5.0	9.0	7.0	8.0	7.0	↓ 2.0	0
NFIB: net percent planning to hire in the next 3 months	14.4	14.6	12.9	3.8	-3.6	0	-4.0	-1.0	-3.0	-2.0	↑ 2.0	↑ 6.0
Self-employed, incorporated (millions)	5.3	5.5	5.8	5.8	5.5	5.4	5.4	5.5	5.4	5.5	↑ 0.1	↓ 0.3
Self-employed, unincorporated (millions)	10.5	10.6	10.4	10.1	9.8	10.1	10.0	9.6	9.7	9.6	↓ 0.4	0

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

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)	
		2005	2006	2007	2008	2009	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 08 to Dec 09
Goods-producing industries	58.48	22.19	22.53	22.23	21.33	18.62	18.25	18.12	17.99	17.96	17.91	↓ 218,000	↓ 2.39 mil.
Natural resources and mining	49.21	0.63	0.68	0.72	0.77	0.70	0.68	0.68	0.67	0.68	0.68	↑ 1,000	↓ 91,000
Construction	85.36	7.33	7.69	7.63	7.16	6.04	5.89	5.81	5.75	5.73	5.70	↓ 114,000	↓ 1.00 mil.
Manufacturing	44.43	14.23	14.16	13.88	13.40	11.88	11.68	11.63	11.58	11.55	11.53	↓ 105,000	↓ 1.29 mil.
Service-providing industries	48.24	111.51	113.55	115.36	115.45	112.28	111.84	111.73	111.64	111.74	111.64	↓ 92,000	↓ 2.39 mil.
Trade, transportation and utilities	43.93	25.96	26.28	26.63	26.29	24.95	24.82	24.75	24.67	24.68	24.63	↓ 127,000	↓ 992,000
Wholesale trade	61.12	5.76	5.90	6.02	5.94	5.62	5.59	5.58	5.57	5.57	5.56	↓ 23,400	↓ 239,800
Retail trade	40.05	15.28	15.36	15.52	15.28	14.53	14.48	14.43	14.37	14.37	14.36	↓ 72,200	↓ 506,900
Information	26.32	3.06	3.04	3.03	2.98	2.81	2.78	2.78	2.77	2.76	2.75	↓ 24,000	↓ 155,000
Financial activities	41.80	8.15	8.33	8.30	8.14	7.76	7.70	7.68	7.66	7.67	7.66	↓ 24,000	↓ 341,000
Professional and business services	43.11	16.95	17.57	17.94	17.74	16.57	16.37	16.35	16.36	16.47	16.49	↑ 137,000	↑ 734,000
Education and health services	47.76	17.37	17.83	18.32	18.84	19.19	19.22	19.25	19.28	19.31	19.34	↑ 92,000	↑ 306,000
Leisure and hospitality	60.89	12.81	13.11	13.43	13.44	13.10	13.08	13.10	13.05	13.02	12.98	↓ 116,000	↓ 265,000
Other services	85.44	5.39	5.44	5.49	5.51	5.36	5.35	5.34	5.33	5.32	5.31	↓ 30,000	↓ 131,000
Government	0	21.81	21.97	22.22	22.50	22.54	22.52	22.48	22.52	22.51	22.48	0	↓ 81,000

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_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)	
	2005	2006	2007	2008	2009	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	This Quarter	Q4-08 to Q4-09
Real gross domestic product												
Level (\$billion)*	12638.4	12976.3	13254.1	13312.2	12988.7	13141.9	12925.4	12901.5	12973.0	13155.0	↑ 5.7% (a)	↑ 0.1%
Annual percentage change*	3.1	2.7	2.1	0.4	-2.4	-5.4	-6.4	-0.7	2.2	5.7		
Real personal consumption expenditures (\$billion)*	8819.0	9073.5	9314.0	9290.9	9237.3	9195.3	9209.2	9189.0	9252.6	9298.5	↑ 2.0% (a)	↑ 1.1%
Real gross private fixed investment (\$billion)*	2172.2	2230.4	2146.2	1989.5	1522.9	1857.7	1558.5	1456.7	1474.4	1601.8	↑ 39.3% (a)	↓ 13.8%
Federal government surplus or deficit (\$billion, annual rate)	-283.0	-203.8	-236.5	-642.6	--	-674.1	-969.0	-1268.9	-1327.0	--	--	--
Real exports of goods and services (\$billion)*	1305.1	1422.1	1546.2	1629.3	1468.6	1568.0	1434.5	1419.5	1478.8	1541.6	↑ 18.1% (a)	↓ 1.7%
Real imports of goods and services (\$billion)*	2027.8	2151.2	2193.8	2123.5	1822.4	2038.9	1821.0	1749.8	1836.2	1882.7	↑ 10.5% (a)	↓ 7.7%
Corporate profits after tax (\$billion)	1043.7	1135.0	1090.2	1068.2	--	900.4	912.4	920.6	1037.9	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	133.9	135.1	140.1	142.6	146.8	143.1	143.2	145.6	148.2	150.4	↑ 6.2% (a)	↑ 5.1%
Employment cost index: private sector wages & salaries (2005=100)	99.2	102.0	105.5	108.7	110.3	109.6	109.8	110.0	110.5	111.0	↑ 1.8% (a)	↑ 1.3%
Employment cost index: private sector benefits (2005=100)	99.2	102.1	104.5	107.2	108.5	107.9	108.1	108.3	108.6	109.0	↑ 1.5% (a)	↑ 1.0%

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 (2009)					Trends	
	2005	2006	2007	2008	2009	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 08 to Dec 09
Unemployment rate (seasonally adjusted)	5.1	4.6	4.6	5.8	9.3	9.7	9.8	10.1	10.0	10.0	↑ 0.2	↑ 2.6
Civilian employment—16 years and older (millions, seasonally adjusted)	141.7	144.4	146.0	145.4	139.9	139.4	138.8	138.2	138.4	137.8	↓ 976,000	↓ 5.40 mil.
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	2.6	2.3	2.3	3.2	7.3	7.8	8.4	8.8	9.0	9.0	↑ 564,000	↑ 4.37 mil.
Nonfarm payroll jobs (millions, seasonally adjusted)	133.7	136.2	137.6	136.8	130.9	130.1	129.9	129.6	129.7	129.5	↓ 310,000	↓ 4.78 mil.
Producer price index (1982=100)	157.4	164.8	172.7	189.6	173.0	175.1	174.6	175.3	177.7	178.1	↑ 8.3% (a)	↑ 4.2%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	195.3	201.6	207.3	215.2	214.6	215.4	215.8	216.4	217.3	217.5	↑ 3.3% (a)	↑ 2.8%
Consumer price index (all urban consumer; all items less food & energy; seas. adj., 1982-84=100)	200.9	205.9	210.7	215.6	219.2	219.7	220.1	220.5	220.5	220.8	↑ 1.3% (a)	↑ 1.8%
Univ. of Mich. Consumer Sentiment (1966=100)	88.6	87.3	85.6	63.8	66.3	65.7	73.5	70.6	67.4	72.5	↓ 1.0	↑ 12.4
Spot oil price/barrel: West Texas intermediate crude	56.5	66.1	72.4	99.6	61.7	71.1	69.5	75.8	78.1	74.3	↑ \$4.84	↑ \$33.28
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	2.1	1.8	1.3	0.9		0.6	0.6	0.5	0.6	0.6	↓ 29,000	↑ 1,000
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	54.4	53.1	51.1	45.5	46.3	52.9	52.6	55.7	53.6	55.9	↑ 3.3	↑ 23.0
Industrial production (2002=100, seasonally adj.)	107.2	109.7	111.3	108.8	98.3	98.3	98.9	99.1	99.7	100.3	↑ 5.9% (a)	↓ 2.0%
3-month Treasury bills (secondary market rate)	3.15	4.73	4.35	1.37	0.15	0.17	0.12	0.07	0.05	0.05	↓ 0.07	↑ 0.02
10-year Treasury note (constant maturity rate)	4.29	4.79	4.63	3.67	3.26	3.59	3.40	3.39	3.40	3.59	↑ 0.19	↑ 1.17

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.