

The Small Business Economy 2010

U.S. Small Business Administration,
Office of Advocacy, Office of Economic Research, 2011, [176] pages.

Purpose and Scope

In the 2010 edition of *The Small Business Economy*, the Office of Advocacy reviews the overall economic environment for small businesses in the year 2009. The report features brief subsections on small business contributions to job creation and innovation, challenges such as health care and pension coverage, and opportunities in exporting and federal procurement. The second chapter looks at the financial marketplace for small firms as the recession came to an end in 2009. Appendices provide additional data and a summary of research in 2009 from the Office of Advocacy.

Highlights

- In the first three quarters of 2009, small businesses accounted for almost 60 percent of the net job losses, with the greatest losses in the first quarter. By the third quarter, net small firm job losses were one-third what they had been in the first quarter.
- In 2009, the American Recovery and Reinvestment Act (ARRA) generated stimulus activity designed to benefit small firms, among others. The Congressional Budget Office estimated that policy actions added between 1.5 percent and 3.5 percent to real gross domestic product in fourth quarter 2009 and projected an employment increase of 1.0 million to 2.1 million more than it would have been without the stimulus.
- The quarterly Senior Loan Officers Opinion Survey on Bank Lending Practices showed tightening of lending standards and weakened demand for small C&I loans—figures that were more pronounced early in 2009 than later in the year.

- The American Express Open Small Business Monitor found that 55 percent of entrepreneurs were optimistic about the future of their businesses in September 2009, up 10 percent from earlier in the year.
 - Real exports and real imports fell in the first half of the year, but rose in the second half.
- The report also documents longer term trends, for example:
- The self-employed are predominantly white, male, married, and older, but minorities and women have significantly increased their proportion of the self-employed over the past decade.
 - Small businesses continue to face challenges in providing health care and retirement benefits to their employees.

Small Business Financing in 2009

In the first half of 2009, as the economy continued to experience the challenges that began in the last two quarters of 2008, credit markets were constrained by both demand and supply factors.

- The U.S. banking sector was stressed, with write-offs totaling more than \$1.8 trillion for the year.
- Delinquency rates on commercial loans were up, and demand for loans was weakened by factors such as depressed sales. By the second half of the year, financial market conditions had become more supportive of monetary stimulus policies and growth.
- Even as interest rates offered to small business borrowers on fixed-term loans remained relatively stable, rates on variable-rate loans followed the decline in the prime rate.
- As credit supply in the loan markets remained restricted, small businesses needing credit turned

to credit cards—which nevertheless make up only a small portion of debt for small firms.

- Venture and angel capital markets remained weak.
- In the midst of a challenging year for small business owners, there was reason for optimism as commercial bank profitability improved and nominal interest rates remained low.

Summary of Advocacy Research, 2009

The Office of Advocacy published more than 25 research studies in 2009, on topics in the fields of finance, entrepreneurship, human capital and employee benefits, international trade, innovation and technology, owner demographics, and taxation.

This report was peer reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of Economic Research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
(800) 553-6847 or (703) 605-6000
TDD: (703) 487-4639

www.ntis.gov

Order Number: PB2011-103976

Paper A03 (\$60.00)

Microfiche A03 (\$40.00)

CD-ROM A00 (\$40.00)

Download A00 (\$25.00)

For email delivery of Advocacy's newsletter, press, regulatory news, and research, visit <http://web.sba.gov/list>. For RSS feeds, visit www.sba.gov/advo/rsslibrary.html.