

THIRD QUARTER 2009: THE ECONOMY AND SMALL BUSINESS

Trends

- The U.S. economic recovery began in the third quarter of 2009 as real gross domestic product grew an annualized 3.5 percent. Public expenditures buoyed growth, particularly the first-time homebuyers' credit and the "cash for clunkers" auto rebates. Real consumption rose at a 3.4 percent annual rate, reversing recent declines. Likewise, there was strong growth in real private fixed investment, real exports, and real imports, due to strengthening of the global economy. Manufacturing output rebounded, with the ISM purchasing managers' index surpassing 50 (the threshold for growth in the manufacturing sector) in August; industrial production increased an annualized 11.7 percent.
- The unemployment rate rose to 9.8 percent in September, and the nation shed 677,000 net jobs during the third quarter; total nonfarm payroll jobs lost since December 2007 now amount to 7.1 million. Every economic sector has experienced net job losses except for education and health services. Nonfarm labor productivity increased at a 9.5 percent annual rate in the third quarter, with firms getting more work from their existing employees. Incorporated and unincorporated self-employment trends were mixed.
- Business and consumer optimism increased; the National Federation of Independent Business's index and the University of Michigan's consumer sentiment survey reflected more favorable views of the economy. The NFIB small business survey indicated renewed anxiety toward hiring workers in the next three months; however, the number of respondents interested in growing their business was higher than in previous months.
- The Federal Reserve voted to keep interest rates low as it attempts to address the credit crunch and stimulate overall economic demand. Nonetheless, the Senior Loan Officers' Survey continued to show weak demand for commercial and industrial loans. SBA lending went up dramatically, with 7(a) lending volume up \$247 million (24.6 percent) and 504 loans up \$305 million (84.5 percent) from June to September. The number of venture capital deals slipped, but dollar volume rose from earlier in the year.
- Inflationary pressures remained modest. Consumer prices were up an annualized 2.5 percent, with the core inflation rate (excluding food and energy prices) at just 1.3 percent. Producer prices also grew slowly, at an annualized 1.2 percent. The price of West Texas intermediate crude was virtually unchanged during the third quarter, and down \$34.44 from September 2008. The employment cost index for the third quarter and year-over-year indicates modest increases of 1 to 2 percent.

Small Business Indicators

	Last Five Years					Last Five Quarters					Trends	
	2004	2005	2006	2007	2008	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	This Quarter	Q3-08 to Q3-09
Business bankruptcy filings (thousands)	34.3	39.2	19.7	28.3	43.5	11.5	12.9	14.3	16.0	--	--	--
Proprietors' income (\$billion, current dollars)	911.6	959.8	1014.7	1056.3	1072.4	1114.4	1083.6	1037.8	1028.0	1038.3	↑ 4.1% (a)	↓ 6.8%
Prime bank loan rate	4.3	6.2	8.0	8.1	5.1	5.0	4.0	3.3	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	4.7	3.2	3.6	3.9	↑ 0.3	↓ 1.0
Variable rate loans, repricing terms of 31-365 days	6.2	7.1	8.4	8.6	6.9	6.7	6.4	5.6	5.5	5.5	0	↓ 1.2
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	-65.3	-74.6	-69.2	-42.3	-33.9	↑ 8.4	↑ 31.4
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	-15.4	-7.4	-57.6	-63.5	-54.6	↑ 8.9	↓ 39.2
Venture investment: number of deals	3117	3193	3743	4022	3980	994	904	616	657	637	↓ 20.0	↓ 357.0
Venture investment: total invested (\$billion)	22.0	22.9	26.4	30.5	28.0	7.2	5.7	3.3	4.1	4.8	↑ 0.7	↓ 2.4

*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 July 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	May	June	July	Aug	Sept	This Quarter	Sept 08 to Sept 09
SBA 7(a) loan volume dollar value (\$billion, calendar year)	14.0	15.0	14.5	14.2	11.4	0.7	1.0	1.0	1.0	1.3	↑ \$247 mil.	↑ \$193 mil.
SBA 504 loan volume dollar value (\$billion, calendar year)	4.1	5.5	5.7	6.4	4.7	0.3	0.4	0.4	0.4	0.7	↑ \$305 mil.	↑ \$265 mil.
NFIB Small Business Optimism Index (1986 = 100)	104.6	101.6	98.9	96.7	89.8	88.9	87.9	86.5	88.6	88.8	↑ 0.9	↓ 4.1
NFIB: next 3 mos. "good time to expand" (% of respondents)	22.3	20.6	17.4	13.9	6.5	5.0	4.0	5.0	5.0	9.0	↑ 5.0	↓ 2.0
NFIB: net percent planning to hire in the next 3 months	15.3	14.4	14.6	12.9	3.8	-5.0	-1.0	-3.0	0	-4.0	↓ 3.0	↓ 11.0
Self-employed, incorporated (millions)	5.2	5.3	5.5	5.8	5.8	5.5	5.3	5.4	5.4	5.4	↑ 0.1	↓ 0.4
Self-employed, unincorporated (millions)	10.4	10.5	10.6	10.4	10.1	10.0	10.1	9.9	10.1	10.0	↓ 0.1	↓ 0.2

Sources: U.S. Small Business Administration, 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	May	June	July	Aug	Sept	This Quarter	Sept 08 to Sept 09
Goods-producing industries	58.48	21.88	22.19	22.53	22.23	21.41	19.04	18.83	18.71	18.58	18.47	↓ 360,000	↓ 2.78 mil.
Natural resources and mining	49.21	0.59	0.63	0.68	0.72	0.77	0.73	0.72	0.72	0.71	0.71	↓ 16,000	↓ 89,000
Construction	85.36	6.97	7.33	7.69	7.63	7.21	6.31	6.23	6.16	6.10	6.03	↓ 203,000	↓ 1.10 mil.
Manufacturing	44.43	14.32	14.23	14.16	13.88	13.42	12.00	11.88	11.84	11.78	11.74	↓ 141,000	↓ 1.59 mil.
Service-providing industries	48.24	109.54	111.51	113.56	115.37	115.64	113.14	112.89	112.70	112.67	112.57	↓ 317,000	↓ 2.92 mil.
Trade, transportation and utilities	43.93	25.53	25.96	26.28	26.63	26.38	25.31	25.26	25.17	25.15	25.08	↓ 178,000	↓ 1.18 mil.
Wholesale trade	61.12	5.66	5.76	5.90	6.02	5.96	5.70	5.68	5.67	5.66	5.66	↓ 23,900	↓ 290,800
Retail trade	40.05	15.06	15.28	15.36	15.52	15.36	14.81	14.79	14.75	14.73	14.68	↓ 109,600	↓ 596,300
Information	26.32	3.12	3.06	3.04	3.03	3.00	2.86	2.85	2.83	2.83	2.83	↓ 13,000	↓ 154,000
Financial activities	41.80	8.03	8.15	8.33	8.30	8.14	7.78	7.75	7.74	7.71	7.71	↓ 46,000	↓ 410,000
Professional and business services	43.11	16.39	16.95	17.57	17.95	17.78	16.76	16.66	16.62	16.62	16.62	↓ 34,000	↓ 1.05 mil.
Education and health services	47.76	16.95	17.37	17.83	18.32	18.86	19.22	19.25	19.26	19.31	19.33	↑ 81,000	↑ 372,000
Leisure and hospitality	60.89	12.49	12.81	13.11	13.43	13.46	13.20	13.18	13.18	13.16	13.16	↓ 15,000	↓ 267,000
Other services	85.44	5.41	5.39	5.44	5.49	5.53	5.42	5.42	5.42	5.41	5.39	↓ 26,000	↓ 138,000
Government	0	21.62	21.81	21.97	22.22	22.50	22.61	22.53	22.48	22.49	22.45	↓ 86,000	↓ 88,000

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)	
	2004	2005	2006	2007	2008	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	This Quarter	Q3-08 to Q3-09
Real gross domestic product Level (\$billion)*	12263.8	12638.4	12976.3	13254.1	13312.2	13324.6	13141.9	12925.4	12901.5	13014.0	↑ 3.5% (a)	↓ 2.3%
Annual percentage change*	3.6	3.1	2.7	2.1	0.4	-2.7	-5.4	-6.4	-0.7	3.5		0
Real personal consumption expenditures (\$billion)*	8532.7	8819.0	9073.5	9314.0	9290.9	9267.7	9195.3	9209.2	9189.0	9265.1	↑ 3.4% (a)	
Real gross private fixed investment (\$billion)*	2058.2	2172.2	2230.4	2146.2	1989.5	1990.7	1857.7	1558.5	1456.7	1496.8	↑ 11.5% (a)	↓ 24.8%
Federal government surplus or deficit (\$billion, annual rate)	-379.4	-283.0	-203.8	-236.5	-642.6	-665.7	-674.1	-969.0	-1294.5	--	--	--
Real exports of goods and services (\$billion)*	1222.8	1305.1	1422.1	1546.2	1629.3	1655.2	1568.0	1434.5	1419.5	1469.1	↑ 14.7% (a)	↓ 11.2%
Real imports of goods and services (\$billion)*	1910.8	2027.8	2151.2	2193.8	2123.5	2134.4	2038.9	1821.0	1749.8	1817.3	↑ 16.4% (a)	↓ 14.9%
Corporate profits after tax (\$billion)	940.9	1043.7	1135.0	1090.2	1068.2	1149.8	900.4	912.4	920.6	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	131.6	133.9	135.1	140.1	142.6	142.8	143.1	143.2	145.6	148.9	↑ 9.5% (a)	↑ 4.3%
Employment cost index: private sector wages & salaries (2005=100)	96.8	99.2	102.0	105.5	108.7	109.0	109.6	109.8	110.0	110.5	↑ 1.8% (a)	↑ 1.3%
Employment cost index: private sector benefits (2005=100)	94.8	99.2	102.1	104.5	107.2	107.5	107.9	108.1	108.3	108.6	↑ 1.1% (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	
	2004	2005	2006	2007	2008	May	June	July	Aug	Sept	This Quarter	Sept 08 to Sept 09
Unemployment rate (seasonally adjusted)	5.5	5.1	4.6	4.6	5.8	9.4	9.5	9.4	9.7	9.8	↑ 0.3	↑ 3.6
Civilian employment—16 years and older (millions, seasonally adjusted)	139.2	141.7	144.4	146.0	145.4	140.6	140.2	140.0	139.6	138.9	↓ 1.33 mil.	↓ 6.17 mil.
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	3.1	2.6	2.3	2.3	3.2	7.0	7.8	7.9	7.8	8.4	↑ 547,000	↑ 4.72 mil.
Nonfarm payrolls (millions, seasonally adjusted)	131.4	133.7	136.2	137.6	137.0	132.2	131.7	131.4	131.3	131.0	↓ 677,000	↓ 5.69 mil.
Producer price index (1982=100)	146.7	157.4	164.8	172.7	189.6	170.8	174.1	172.7	175.1	174.6	↑ 1.2% (a)	↓ 11.3%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	188.9	195.3	201.6	207.3	215.6	212.9	214.5	214.5	215.4	215.8	↑ 2.5% (a)	↓ 1.3%
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	218.9	219.3	219.5	219.7	220.1	↑ 1.3% (a)	↑ 1.5%
Univ. of Mich. Consumer Sentiment (1966=100)	95.2	88.6	87.3	85.6	63.8	68.7	70.8	66.0	65.7	73.5	↑ 2.7	↑ 3.2
Spot oil price/barrel: West Texas intermediate crude	41.4	56.5	66.1	72.4	99.6	59.2	69.7	64.1	71.1	69.5	↓ \$0.22	↓ \$34.44
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	0.6	0.6	0.6	0.6	0	↓ 28.2%
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	59.1	54.4	53.1	51.1	45.5	42.8	44.8	48.9	52.9	52.6	↑ 7.8	↑ 9.2
Industrial production (2002=100, seasonally adj.)	103.8	107.2	109.7	111.3	108.8	96.2	95.8	96.6	97.8	98.5	↑ 11.7% (a)	↓ 6.1%
3-month Treasury bills (secondary market rate)	1.37	3.15	4.73	4.35	1.37	0.18	0.18	0.18	0.17	0.12	↓ 0.06	↓ 1.01
10-year Treasury note (constant maturity rate)	4.27	4.29	4.79	4.63	3.67	3.29	3.72	3.56	3.59	3.40	↓ 0.32	↓ 0.29

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.