

FIRST QUARTER 2010: THE ECONOMY AND SMALL BUSINESS

Trends

- Real gross domestic product increased at an annualized 3.2 percent in the first quarter of 2010, its third quarter of positive growth and a sign of continued economic recovery. Overall output was buoyed by higher expenditures across the board, as consumers and businesses began to spend again. Real gross private fixed investment was up 14.8 percent on an annual basis, while real personal consumption and real exports rose an annualized 3.6 percent and 5.8 percent, respectively. Manufacturing output continued to rise, with both the Institute for Supply Management's manufacturing index and industrial production figures up for the quarter.
- Unemployment remained high at 9.7 percent, but nonfarm payroll increased by a net 283,000 jobs—a positive sign that hiring has turned a corner. Most major industries experienced net job growth during the first quarter of 2010, with the exception of construction, financial activities, and information. Unincorporated self-employment remained stable. Nonfarm labor productivity grew more modestly by an annualized 3.6 percent, somewhat less than last quarter's 6.3 percent rate.
- Mirroring broad economic trends, overall optimism was higher in the first quarter, especially relative to one year ago. While small business owners remain cautious and poor sales remain a top concern, a number of surveys (American Express, Discover, Intuit) indicate that many owners are also more hopeful than last year, and more willing to hire and invest in their businesses.
- Interest rates remained low, with the Federal Reserve Board maintaining its target federal funds rate of near zero percent. Rates on small firm short-term borrowing of less than \$100,000 ranged from 4.24 percent for less than one month to 5.55 percent for less than one year. The Senior Loan Officers' Survey improved from the previous quarter but still reflected tighter lending conditions and overall weakened demand. There were fewer venture capital deals in the first quarter, but the \$4.7 billion invested was 40 percent higher than last year. Meanwhile, SBA guaranteed lending volumes saw dramatic increases, particularly in the 7(a) loan program.
- Overall inflation remained in check, with the consumer price index increasing by less than one percent on an annualized basis in the first quarter; the "core" inflation measure, which excludes food and energy costs, fell for the quarter. The producer price index, however, rose 12.2 percent on an annual basis for the quarter, reflecting higher prices for intermediate goods. The price of a barrel of West Texas crude oil, for instance, rose \$7 for the quarter and \$33 since March 2009. Average benefit costs for private sector employees increased an annualized 5.6 percent for the quarter, compared with a 1.4 percent rise in wages and salaries.

Small Business Indicators

	Last Five Years					Last Five Quarters					Trends (in actual terms)	
	2005	2006	2007	2008	2009	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	This Quarter	Q1-09 to Q1-10
Business bankruptcy filings (thousands)	39.20	19.70	28.32	43.55	60.84	14.32	16.01	15.18	15.02	--	--	--
Proprietors' income (\$trillion, current dollars)	1.07	1.13	1.10	1.11	1.04	1.04	1.03	1.04	1.06	1.06	↑ 1.7% (a)	↑ 2.6%
Prime bank loan rate	6.19	7.96	8.05	5.09	3.25	3.25	3.25	3.25	3.25	3.25	0	0
Rates for smallest loans (\$10,000 to \$99,999):*												
Variable rate loans, repricing terms of 2-30 days	5.71	7.01	6.58	5.20	3.76	3.23	3.58	3.85	4.37	4.24	↓ 0.13	↑ 1.01
Variable rate loans, repricing terms of 31-365 days	6.27	7.35	7.05	6.93	5.60	5.59	5.46	5.48	5.88	5.55	↓ 0.33	↓ 0.04
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	9.00	4.60	-4.80	-55.53	-40.38	-69.20	-42.30	-33.90	-16.10	-3.70	↑ 12.40	↑ 65.50
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	27.33	0.20	-11.00	-15.63	-52.85	-57.60	-63.50	-54.60	-35.70	-29.70	↑ 6.00	↑ 27.90
Venture investment: number of deals (thousands)	3.21	3.75	4.03	3.99	2.87	0.64	0.70	0.70	0.83	0.68	↓ 151 deals	↑ 46 deals
Venture investment: total invested (\$billion)	22.87	26.32	30.42	28.01	17.78	3.36	4.14	5.10	5.18	4.73	↓ \$0.45 bil.	↑ \$1.36 bil.

*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 January 2010 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 (2009-2010)					Trends (in actual terms)	
	2005	2006	2007	2008	2009	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 09 to Mar 10
SBA 7(a) loan volume value (\$billion, calendar year)	15.04	14.51	14.17	11.38	11.22	1.71	1.01	0.72	1.43	1.53	↑ \$517.5 mil.	↑ \$955.6 mil.
SBA 504 loan volume value (\$billion, calendar year)	5.49	5.73	6.44	4.69	4.15	0.49	0.38	0.34	0.43	0.36	↓ \$21.3 mil.	↑ \$117.4 mil.
NFIB Small Business Optimism Index (1986 = 100)	101.63	98.85	96.73	89.75	86.72	88.30	88.00	89.30	88.00	86.80	↓ 1.40	↑ 5.80
NFIB: next 3 mos. "good time to expand" (% responses)	20.58	17.42	13.92	6.50	5.33	8.00	7.00	5.00	4.00	2.00	↓ 5.00	↑ 1.00
NFIB: net percent planning to hire in the next 3 months	14.42	14.58	12.92	3.83	-3.58	-3.00	-2.00	-1.00	-1.00	-2.00	0	↑ 8.00
Self-employed, incorporated (millions)	5.26	5.51	5.75	5.80	5.47	5.37	5.52	--	--	--	--	--
Self-employed, unincorporated (millions)	10.46	10.59	10.41	10.08	9.83	9.71	9.62	9.39	9.75	9.63	↑ 0.01	↓ 0.28

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 (2009-2010)					Trends (in actual terms)	
		2005	2006	2007	2008	2009	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 09 to Mar 10
Goods-producing industries	58.48	22.19	22.53	22.23	21.33	18.62	17.96	17.91	17.88	17.85	17.90	↓ 3,000	↓ 1.33 mil.
Natural resources and mining	49.21	0.63	0.68	0.72	0.77	0.70	0.68	0.68	0.68	0.69	0.70	↑ 25,000	↓ 27,000
Construction	85.36	7.33	7.69	7.63	7.16	6.04	5.73	5.70	5.64	5.59	5.61	↓ 85,000	↓ 682,000
Manufacturing	44.43	14.23	14.16	13.88	13.40	11.88	11.55	11.53	11.56	11.57	11.59	↑ 57,000	↓ 621,000
Service-providing industries	48.24	111.51	113.55	115.36	115.45	112.28	111.74	111.68	111.73	111.79	111.97	↑ 286,000	↓ 869,000
Trade, transportation and utilities	43.93	25.96	26.28	26.63	26.29	24.95	24.68	24.65	24.67	24.67	24.70	↑ 47,000	↓ 474,000
Wholesale trade	61.12	5.76	5.90	6.02	5.94	5.62	5.57	5.56	5.56	5.56	5.57	↑ 5,000	↓ 102,900
Retail trade	40.05	15.28	15.36	15.52	15.28	14.53	14.37	14.36	14.41	14.42	14.43	↑ 71,300	↓ 203,900
Information	26.32	3.06	3.04	3.03	2.98	2.81	2.76	2.75	2.75	2.74	2.73	↓ 21,000	↓ 134,000
Financial activities	41.80	8.15	8.33	8.30	8.14	7.76	7.67	7.66	7.64	7.63	7.61	↓ 49,000	↓ 244,000
Professional and business services	43.11	16.95	17.57	17.94	17.74	16.57	16.47	16.49	16.51	16.57	16.58	↑ 92,000	↓ 194,000
Education and health services	47.76	17.37	17.83	18.32	18.84	19.19	19.31	19.35	19.37	19.40	19.45	↑ 104,000	↑ 359,000
Leisure and hospitality	60.89	12.81	13.11	13.43	13.44	13.10	13.02	12.99	13.00	13.03	13.07	↑ 76,000	↓ 70,000
Other services	85.44	5.39	5.44	5.49	5.51	5.36	5.32	5.31	5.32	5.31	5.32	↑ 6,000	↓ 64,000
Government	0	21.81	21.97	22.22	22.50	22.54	22.51	22.48	22.48	22.46	22.51	↑ 31,000	↓ 48,000

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	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	This Quarter	Q1-09 to Q1-10
Real gross domestic product												
Level (\$trillion)*	12.64	12.98	13.25	13.31	12.99	12.93	12.90	12.97	13.15	13.25	↑ 3.2% (a)	↑ 2.5%
Annual percentage change*	3.1%	2.7%	2.1%	0.4%	-2.4%	-6.4%	-0.7%	2.2%	5.6%	3.2%		
Real personal consumption expenditures (\$trillion)*	8.82	9.07	9.31	9.29	9.24	9.21	9.19	9.25	9.29	9.37	↑ 3.6% (a)	↑ 1.8%
Real gross private fixed investment (\$trillion)*	2.17	2.23	2.15	1.99	1.53	1.56	1.46	1.47	1.62	1.68	↑ 14.8% (a)	↑ 7.7%
Federal government surplus or deficit (\$trillion, annual rate)	-0.28	-0.20	-0.24	-0.64	-1.22	-0.97	-1.27	-1.35	-1.31	--	--	--
Real exports of goods and services (\$trillion)*	1.31	1.42	1.55	1.63	1.47	1.43	1.42	1.48	1.56	1.58	↑ 5.8% (a)	↑ 10.1%
Real imports of goods and services (\$trillion)*	2.03	2.15	2.19	2.12	1.83	1.82	1.75	1.84	1.90	1.95	↑ 8.9% (a)	↑ 6.9%
Corporate profits after tax (\$trillion)	1.04	1.14	1.09	1.07	0.99	0.91	0.92	1.04	1.11	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	136.25	137.55	140.07	142.95	148.36	143.33	146.99	149.80	152.10	153.44	↑ 3.6% (a)	↑ 6.3%
Employment cost index: private sector wages & salaries (2005=100)	99.20	102.00	105.50	108.70	110.30	109.80	110.00	110.50	111.00	111.40	↑ 1.4% (a)	↑ 1.5%
Employment cost index: private sector benefits (2005=100)	99.20	102.10	104.50	107.20	108.50	108.10	108.30	108.60	108.90	110.40	↑ 5.6% (a)	↑ 2.1%

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 (2009-2010)					Trends (in actual terms)	
	2005	2006	2007	2008	2009	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 09 to Mar 10
Unemployment rate (seasonally adjusted)	5.10	4.60	4.60	5.80	9.30	10.00	10.00	9.70	9.70	9.70	↓ 0.30	↑ 1.10
Civilian employment—16 years and older (millions, seasonally adjusted)	141.71	144.41	146.04	145.36	139.88	138.38	137.79	138.33	138.64	138.91	↑ 1.11 mil.	↓ 1.95 mil.
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	2.61	2.26	2.30	3.21	7.33	8.98	8.97	8.95	8.83	8.98	↑ 14,000	↑ 3.17 mil.
Nonfarm payroll jobs (millions, seasonally adjusted)	133.69	136.09	137.59	136.78	130.91	129.70	129.59	129.60	129.64	129.87	↑ 283,000	↓ 2.20 mil.
Producer price index (1982=100)	157.40	164.80	172.70	189.60	172.90	177.70	178.10	182.00	180.90	183.30	↑ 12.2% (a)	↑ 9.0%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	195.27	201.55	207.34	215.25	214.55	216.86	217.22	217.59	217.59	217.73	↑ 0.9% (a)	↑ 2.4%
Consumer price index (all urban cons.; all items less food & energy; seas. adj., 1982-84=100)	200.87	205.94	210.73	215.57	219.24	220.55	220.76	220.46	220.58	220.66	↓ 0.2% (a)	↑ 1.2%
Univ. of Mich. Consumer Sentiment (1966=100)	88.60	87.30	85.60	63.80	66.30	67.40	72.50	74.40	73.60	73.60	↑ 1.10	↑ 16.30
Spot oil price/barrel: W. Texas intermediate crude	56.47	66.10	72.36	99.57	61.69	78.08	74.30	78.22	76.42	81.42	↑ \$6.94	↑ \$33.26
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	2.07	1.81	1.34	0.90	0.55	0.58	0.57	0.61	0.62	0.63	↑ 53,000	↑ 105,000
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	54.40	53.10	51.10	45.50	46.20	53.70	54.90	58.40	56.50	59.60	↑ 4.70	↑ 23.20
Industrial production (2002=100, seasonally adj.)	107.23	109.68	111.32	108.82	98.24	99.56	100.25	101.21	101.51	101.61	↑ 1.36	↑ 3.86
3-month Treasury bills (secondary market rate)	3.15	4.73	4.35	1.37	0.15	0.05	0.05	0.06	0.11	0.15	↑ 0.10	↓ 0.06
10-year Treasury note (constant maturity rate)	4.29	4.79	4.63	3.67	3.26	3.40	3.59	3.73	3.69	3.73	↑ 0.14	↑ 0.91

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.