



## **Small Business Optimism, 2002-2011: Four Years of Uneven Recovery** **An Analysis of a Decade of American Express OPEN** **Small Business Monitor Surveys**

Since mid 2002, American Express OPEN has conducted a semi-annual survey, in the spring and fall, among small business owners – specifically those with between 1 and 100 employees. The goal of the surveys is to learn more about small business owner activities, plans, and overall outlook, and to share those findings with small business stakeholders nationwide.

This brief report reviews results among all 18 surveys conducted over the past ten years, focusing on a single, telling question related to small business optimism. Early in every survey, business owners are asked to look ahead and choose which of the following four statements best describes their view of their business prospects over the next six months:

- Over the next six months, I see the economy improving and expanding opportunities for my business
- Over the next six months, I expect my business to grow regardless of the economic climate
- Over the next six months, I expect the economic climate to negatively affect my business
- Over the next six months, my company risks going out of business because of the economic climate

In this analysis, business owner responses to the two positive and the two negative statements are combined and compared, subtracting the negative responses from the positive to arrive at a “net optimism score.” In the fall of 2002, for example, 64% of business owners had a positive view of their business prospects, while 29% had a negative view, for a net optimism score of +35. In the spring of 2011, 49% had a positive view, while 48% held a negative view, for a net optimism score of just +1. The intervening years have seen a good deal of change and volatility, which is the focus of this report.

### **Quick Facts**

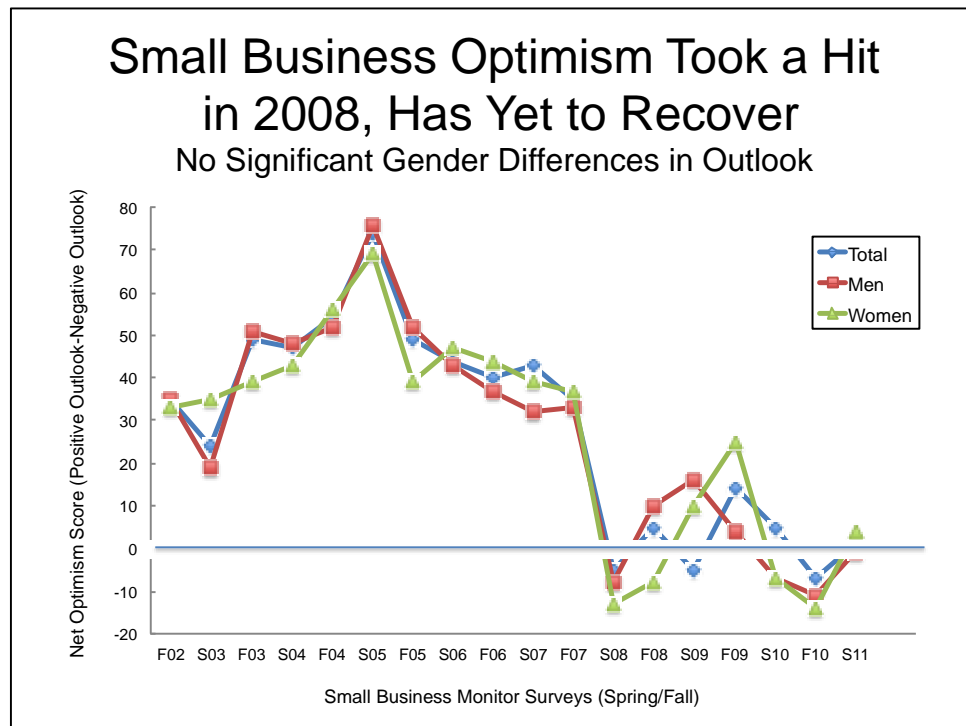
- **Between the fall of 2002 and late 2007, optimism was high among virtually all small business owners, reaching its highest point in mid 2005. Optimism plummeted between late 2007 and early 2008, and has not recovered for small business owners regardless of region, size of firm, industry or sex of the owner.**
- **Business owners in the South and West were the most optimistic in the country prior to 2008. Over the past four years, much greater regional volatility in business outlook is seen.**
- **Prior to 2008, there was little difference in optimism by firm size. Since that time, however, there is more volatility in outlook among the larger small firms, with the biggest plunge seen among firms with 20 to 49 employees and those with \$500,000 to \$999,999 in revenues.**
- **Small retailers are the bellwether industry group. When business optimism plummets, their pessimism leads the way.**

## Key Findings

**Between 2002 and 2008, small business owners across the country were operating with optimism across the country, regardless of gender, industry sector or size of firm. Since the 2008-09 recession, however, small business owners have not yet recovered their “sunny disposish.”**

- Between 2002 and 2007, the first six years of the American Express OPEN Small Business Monitor surveys, small business owners were nearly universally optimistic – with large majorities saying that the next six months would see growth in their businesses. In the inaugural Fall 2002 survey, nearly two-thirds (64%) of business owners were optimistic about their prospects, with only 29% seeing a decline in business in the subsequent six months – for a net small business optimism score of +35. After a peak of +74 in the spring of 2005, the net small business optimism was again at +35 in the fall of 2007.

- The 2008-09 recession (starting in December 2007 and ending in June 2009, according to the National Bureau of Economic Research) changed the psyche of small business owners, eroding their confidence



and producing an extended period of volatility and trepidation, which continues today – two years after the economic experts say the recession has ended. The most recent American Express OPEN Small Business Monitor survey, conducted in the spring of 2011, finds only 49% of owners optimistic looking forward over the next six months, while 48% are pessimistic, for an overall net optimism score of just +1.

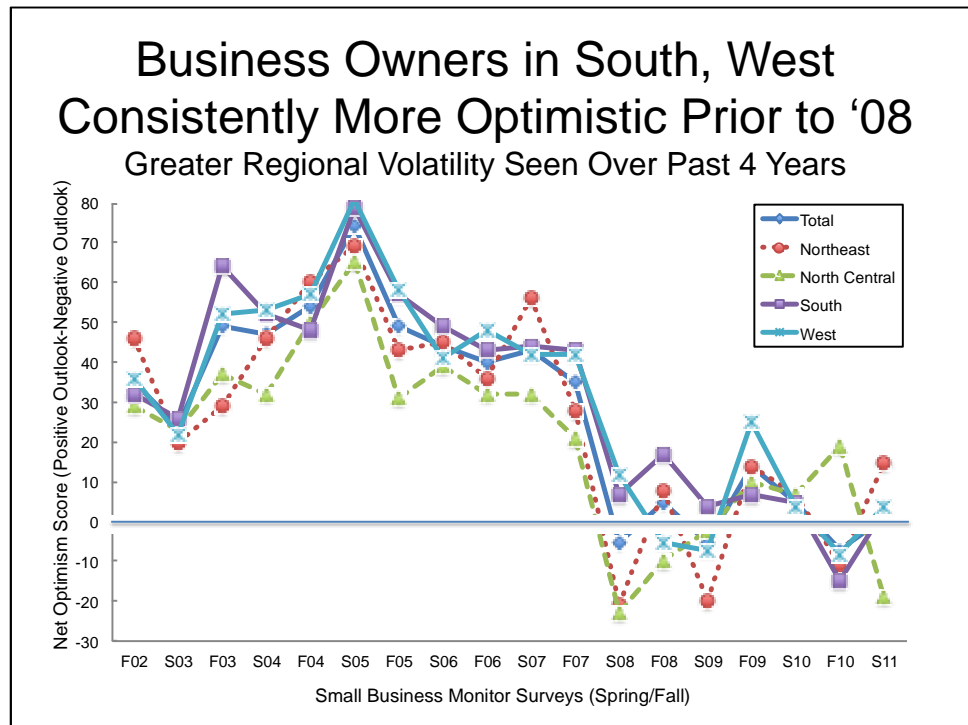
- Among the least optimistic at the present time are small business owners in the North Central states (-19) and those with less than \$500,000 in revenues (-10). Among the most optimistic are those with \$1 million or more in revenues (+22), those with between 10 and 19 employees (+20), and those in the Northeast (+15). Interestingly, throughout

the past decade, in good times and bad, the level of optimism among small business owners has not varied significantly by the sex of the owner.

**Business owners in the South and West, home to the states leading in population and business growth, were the most optimistic prior to the recession, but now all bets are off. Greater volatility over the past four years means there are no clear geographic centers of optimism or pessimism.**

- During the first six years of the American Express OPEN Small Business Monitor surveys, owners of businesses in the South and West regions of the country were more optimistic than those in the Northeast and the North Central regions, but the difference between the regions was not great. For example, in the fall of 2007, the net optimism score was +43 in the South, +42 in the West, +28 in the Northeast, and +21 in the North Central states. In other words, small business owners across the country were generally optimistic during this time period.
- When small business optimism plunged in 2008, as the recession was in full swing, business owners in the Northeast and North Central states led the way down. However, since then, opinion has fluctuated. Firms across the country recovered a bit in late 2009, but optimism again declined during the course of last year, with business owners in the North Central states actually remaining more optimistic than average. As of the most

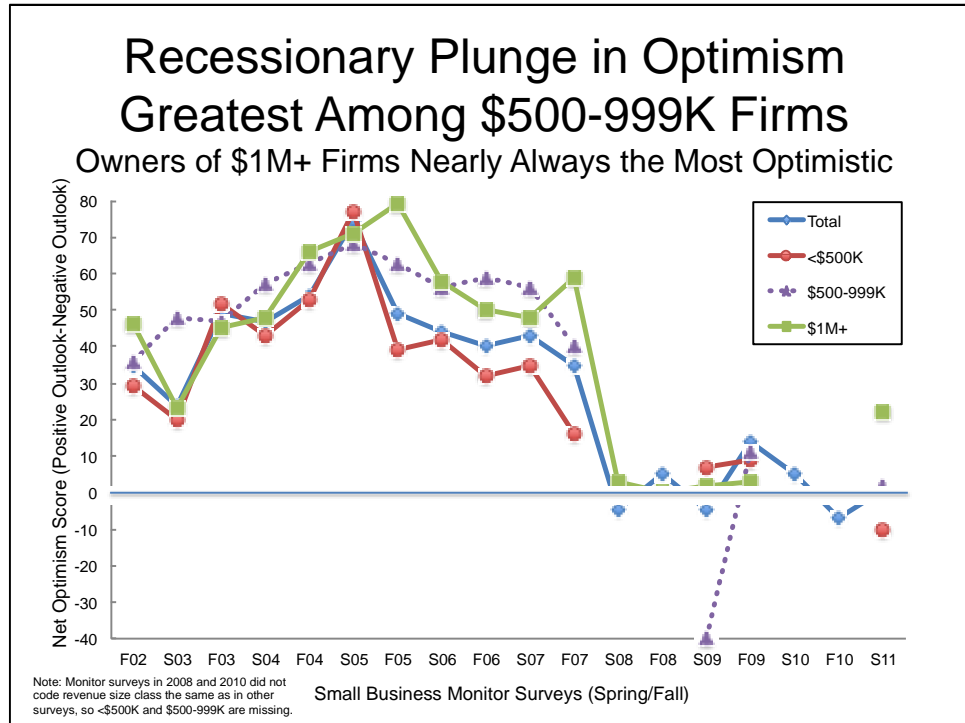
recent survey, however, owners in the North Central region are again the most pessimistic, with a net optimism score of -19, but owners in the Northeast are the most optimistic, at +15. The outlook of small business



owners in the South and West are divided, with net optimism scores of just +3 and +4, respectively. Clearly, given recent volatility in levels of business optimism, there is not currently a clear geographic demarcation of business optimism on a regional basis.

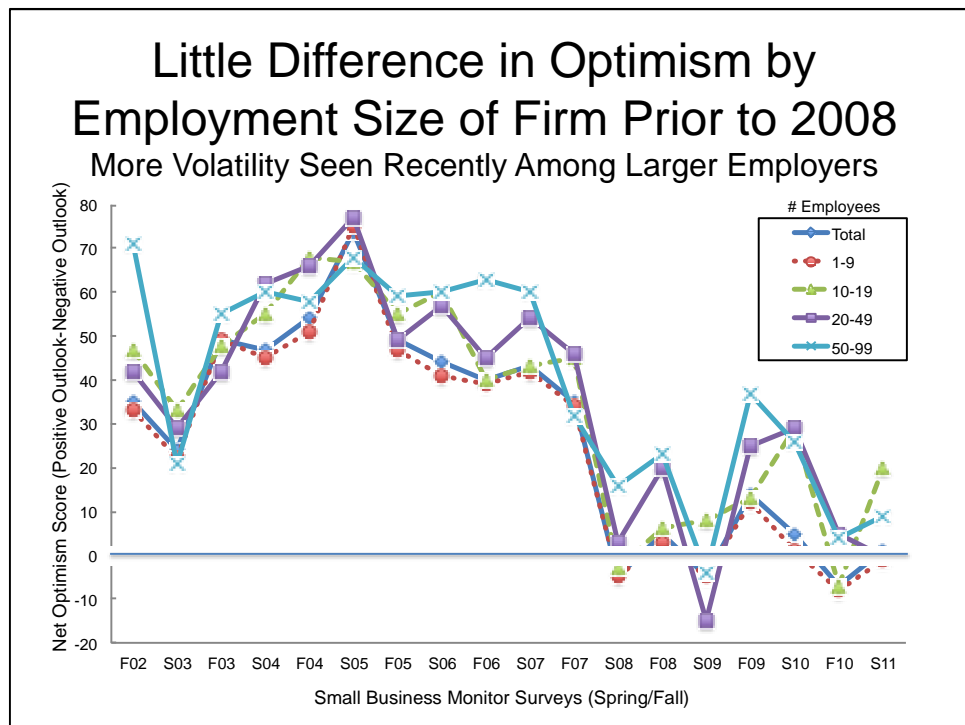
Prior to the 2008-09 recession, the owners of small firms of all sizes were optimistic about their growth prospects – although the owners of the larger firms were typically more optimistic than the smallest. Over the past four years, however, all that has changed. There’s not only more ambivalence overall, but the owners of larger firms are more variable in their outlook than in earlier years.

- In periods of overall economic growth, as was the case in the early years of the 21<sup>st</sup> Century, business optimism was strong regardless of firm size. At the peak of small business optimism, in the Spring 2005



Monitor survey, net optimism was +74 – with fully 85% of small business owners believing that their firms would grow over the course of the next six months, while only 11% saw a decline in the near term.

- At that time, business owners large and small were optimistic. There was a net optimism score of +77 among firms with less than \$500,000 in revenues, +68 among those with \$500,000 to \$999,999 in



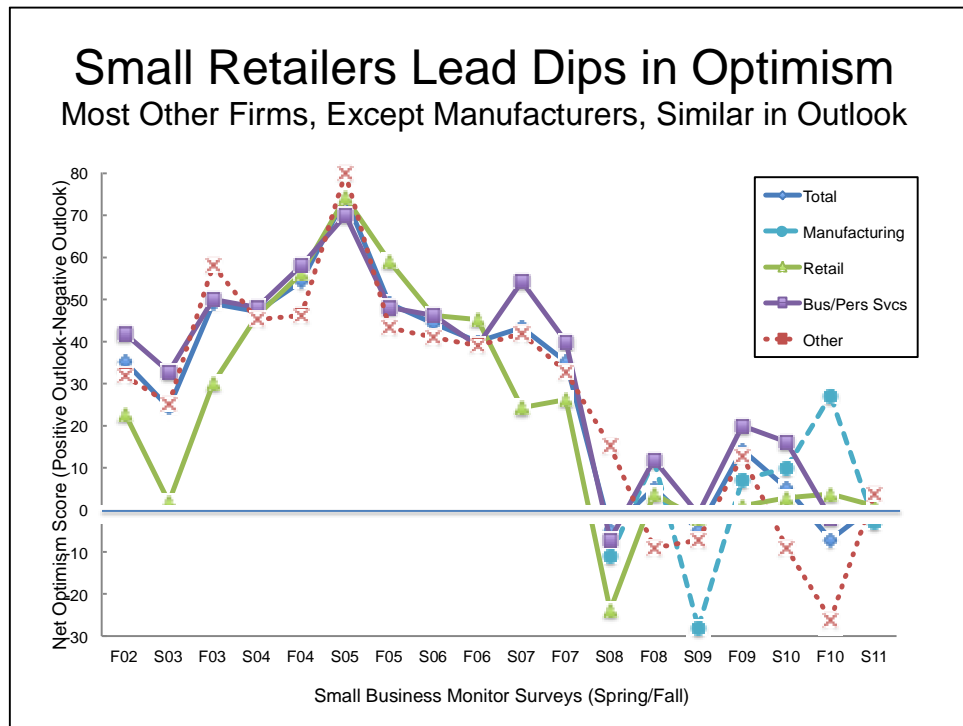
revenues, and +71 among firms with \$1 million or more in revenues. By employment size of firm, small business owners with 1 to 9 employees had a net optimism score of +75, while it was +67 among those with 10 to 19 employees, +77 among those with 20 to 49 employees, and +68 among those with 50 to 99 employees.

- When the recession hit, optimism plunged among small business owners regardless of firm size, but hit hardest among the smallest firms. At the lowest point in small business optimism during the recession, however – Spring 2009 when the overall optimism score was -5 – the lowest levels of optimism were among mid-sized firms (-40 among those with \$500,000 to \$999,999 in revenues and -15 among those with 20 to 49 employees). Currently, outlook is moderate among most small business owners. Only among the owners of firms with \$1 million or more in revenues (+22) or those with between 10 and 19 employees (+20) is the net optimism score in double digits.

**Small business owners in the retail sector are the “canary in the coal mine” of business optimism. Whenever business optimism has taken a dip over the past decade, this sector has led the way down, and lagged in recovery.**

- From an industry perspective, the Small Business Monitor has monitored sentiments specifically among firms in the retail trade and business/personal services sectors throughout the decade of the survey. In recent years (from the Spring 2008 survey onward), manufacturing has also been tallied separately. Looking at those three industry sectors, then, finds that it is the owners of firms in the retail trade sector who have their fingers on the economic pulse of the country, since when small firm optimism has plummeted over the past decade – in the spring of 2003 and more significantly in the spring of 2008 – the pessimism of retail trade small business owners has “led” the way.

- Between Fall 2002 and Spring 2003, when the net optimism score overall dipped 11 points, from +35 to +24, retail trade owner optimism dipped 21 points, from +23 to +2. Then



between Fall 2007 and Spring 2008, when overall optimism dipped 40 points (from +35 to -5), retail trade owner optimism plunged 50 points (from +26 to -24). Clearly, retail trade is a bellwether sector.

- Despite the negative economic trends in the US manufacturing sector in general – especially the automotive sector – small manufacturers have been somewhat optimistic, if somewhat volatile in their optimism scores in recent years. When they began to be broken out of the Monitor data for analysis, nearly all firms in all industries were pessimistic in their outlook, and manufacturing was no exception. However, only in Spring 2009 and in Spring 2011 have small business owners in the manufacturing sector been the most pessimistic in their outlook. In fact, in the fall of 2009, they were the most optimistic industry group. This fluctuation is in keeping with the overall volatility of small business owner outlook seen throughout the small business community over the past four years.

### **Methodology Note**

*In the spring and late summer of each year noted, somewhere between 700 and 800 owners of businesses employing between 1 and 99 workers were surveyed online. These firms were randomly chosen from the Dun & Bradstreet database, and results are thus representative of all small firm employers in the United States.*

*The sampling error for surveys of N=700 is +/- 3.7% and for N=800 it is +/- 3.5%. This means that, 95 times out of 100, the survey findings will be within 4% of true population values.*

### **About American Express OPEN**

*American Express OPEN is the leading payment card issuer for small businesses in the United States and supports business owners with products and services to help them run and grow their businesses. This includes business charge and credit cards that deliver purchasing power, flexibility, rewards, savings on business services from an expanded lineup of partners and online tools and services designed to help improve profitability. Learn more at [www.OPEN.com](http://www.OPEN.com) and connect with us at [openforum.com](http://openforum.com) and [twitter.com/openforum](http://twitter.com/openforum).*

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<b>Summary of Net Small Business Optimism</b>					
	<b>All Small Business Owners</b>	<b>Sex of Owner</b>			
		<b>Men</b>		<b>Women</b>	
Spring 2011	1	-1			4
Fall 2010	-7	-11			-14
Spring 2010	5	-7			-7
Fall 2009	14	4			25
Spring 2009	-5	16			10
Fall 2008	5	10			-8
Spring 2008	-5	-8			-13
Fall 2007	35	33			37
Spring 2007	43	32			39
Fall 2006	40	37			44
Spring 2006	44	43			47
Fall 2005	49	52			39
Spring 2005	74	76			69
Fall 2004	54	52			56
Spring 2004	47	48			43
Fall 2003	49	51			39
Spring 2003	24	19			35
Fall 2002	35	35			33
	<b>Total</b>	<b>Region</b>			
		<b>Northeast</b>	<b>North Central</b>	<b>South</b>	<b>West</b>
Spring 2011	1	15	-19	3	4
Fall 2010	-7	-11	10	-15	-8
Spring 2010	5	7	7	5	4
Fall 2009	14	14	10	7	25
Spring 2009	-5	-20	-2	4	-7
Fall 2008	5	8	-10	17	-5
Spring 2008	-5	-21	-23	7	12
Fall 2007	35	28	21	43	42
Spring 2007	43	56	32	44	42
Fall 2006	40	36	32	43	48
Spring 2006	44	45	39	49	41
Fall 2005	49	43	31	57	58
Spring 2005	74	69	65	79	81
Fall 2004	54	60	50	48	57
Spring 2004	47	46	32	52	53
Fall 2003	49	29	37	64	52
Spring 2003	24	20	23	26	22
Fall 2002	35	46	29	32	36

	Total	Employment Size of Firm			
		1-9	10-19	20-49	50-99
Spring 2011	1	-1	20	0	9
Fall 2010	-7	-8	-7	5	4
Spring 2010	5	1	29	29	26
Fall 2009	14	12	13	25	37
Spring 2009	-5	-5	8	-15	-4
Fall 2008	5	3	6	20	23
Spring 2008	-5	-5	-3	3	16
Fall 2007	35	34	45	46	32
Spring 2007	43	42	43	54	60
Fall 2006	40	39	40	45	63
Spring 2006	44	41	60	57	60
Fall 2005	49	47	55	49	59
Spring 2005	74	75	67	77	68
Fall 2004	54	51	68	66	58
Spring 2004	47	45	55	62	60
Fall 2003	49	49	48	42	55
Spring 2003	24	22	33	29	21
Fall 2002	35	33	47	42	71
	Total	Annual Revenues			
		<\$500,000	\$500-999K	\$1 M+	
Spring 2011	1	-10	2	22	
Fall 2010	-7	--	--	--	
Spring 2010	5	--	--	--	
Fall 2009	14	9	11	3	
Spring 2009	-5	7	-40	2	
Fall 2008	5	--	--	0	
Spring 2008	-5	--	--	3	
Fall 2007	35	16	40	59	
Spring 2007	43	35	56	48	
Fall 2006	40	32	59	50	
Spring 2006	44	42	56	58	
Fall 2005	49	39	63	79	
Spring 2005	74	77	68	71	
Fall 2004	54	53	63	66	
Spring 2004	47	43	57	48	
Fall 2003	49	52	47	45	
Spring 2003	24	20	48	23	
Fall 2002	35	29	36	46	

	Total	Industry			
		Manufacturing <sup>1</sup>	Retail Trade	Business/ Personal Svcs	All Other Industries <sup>1</sup>
Spring 2011	1	-3	1	-1	4
Fall 2010	-7	27	4	-2	-26
Spring 2010	5	10	3	16	-9
Fall 2009	14	7	1	20	13
Spring 2009	-5	-28	-2	-1	-7
Fall 2008	5	12	4	12	-9
Spring 2008	-5	-11	-24	-7	15
Fall 2007	35	--	26	40	33
Spring 2007	43	--	24	54	42
Fall 2006	40	--	45	39	39
Spring 2006	44	--	46	46	41
Fall 2005	49	--	59	48	43
Spring 2005	74	--	74	70	80
Fall 2004	54	--	56	58	46
Spring 2004	47	--	46	48	45
Fall 2003	49	--	30	50	58
Spring 2003	24	--	2	33	25
Fall 2002	35	--	23	42	32

<sup>1</sup> Manufacturing was included in "All Other Industries" prior to the Spring 2008 survey.

*Note: The numbers above represent the net optimism score among each group, wherein the two negative responses to a question about business outlook over the next six months are combined and subtracted from the two positive responses. The greater the positive number, the more optimistic a business owner is about his/her business growth prospects in the coming six months. If a number is negative, business owners in that category are more likely to feel that the next six months will see a decline in their business prospects.*