



ECONOMICS GROUP

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June 25, 2009

NFIB: The View From Small Business – Confidence Leads

Based upon the latest National Federation of Independent Business (NFIB) survey small business optimism has moved upward at the latest of improvement in the economy. Employment and pricing power remain weak which is typical in the early phase of recovery. Credit remains "harder to get" as reflective of the caution of lenders.

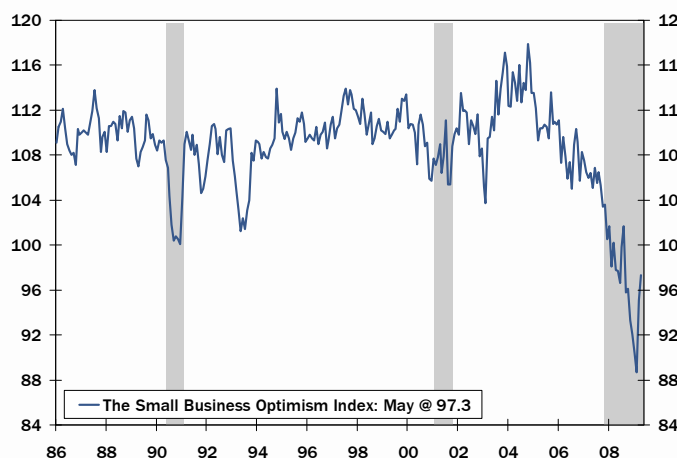
Confidence Up with the Usual Jobless Outlook

- NFIB small business optimism rose in May as the percentage of firms expecting the economy to improve rose as well. Optimism typically leads activity as is also characteristic of the consumer.
- Jobs appear to lag. This has become typical of recent economic recoveries. For both the 1990 and 2001 recessions, the bottom of the employment series occurred after the economy turned.

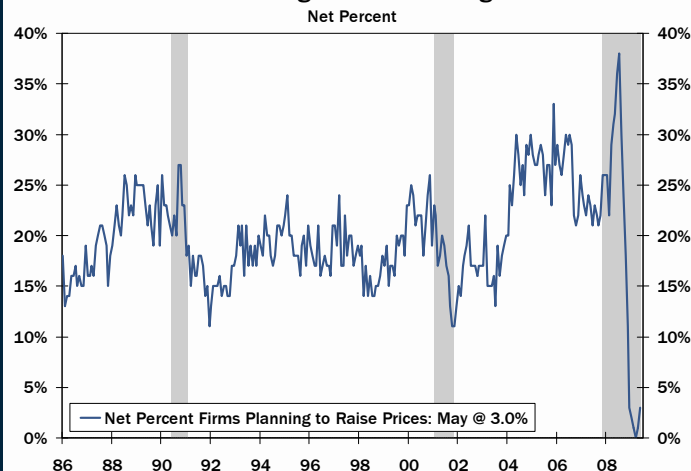
Pricing Power Absent, Credit Even Harder to Get

- Pricing power remains weak but this again is typical of the economic cycle. As evidenced in the graph below, raising prices tends to begin after (1991) or at the end (2002) of the recession.
- Credit remains hard to get. For this cycle, however, the extent of tight credit is much greater than in earlier cycles. This suggests that this expansion may be far more difficult for credit-constrained firms than in the past.

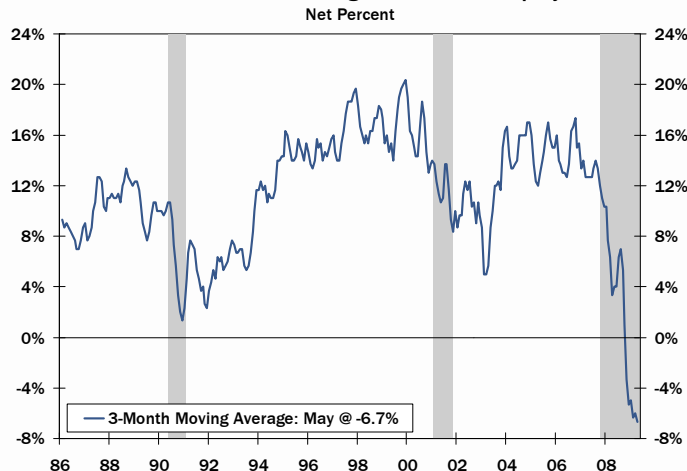
The Small Businesses Optimism Index



Firms Planning to Raise Selling Prices



Small Businesses Planning to Increase Employment



Small Businesses Reporting Credit Hard to Get

