

Small Business Optimism (January)

- The NFIB small business optimism index fell to 91.8 in January, the weakest since January 1991, from 94.6 in December. The net percentage of small firms planning to expand fell to 9% in January from 14% in December.
- The percentage of small firms planning to increase employment fell to 9% in January from 11% in December, although 24% of firms reported jobs as being “hard to fill,” up from 21% in December. Also, the net percentage of firms raising worker compensation increased to 25% from 24%.
- The net percentage of firms raising selling prices fell to 8% in January from 16% in December, although the percentage of firms planning to raise prices held steady at an elevated 26%.
- In January, 7% of firms reported that credit was harder to get, unchanged from December.

	<u>Jan</u>	<u>Dec</u>	<u>Nov</u>	<u>07Q4</u> <u>avg</u>	<u>07Q3</u> <u>avg</u>	<u>3-mo</u> <u>ago</u>	<u>12-mo</u> <u>ago</u>
Overall Index	91.8	94.6	94.4	95.1	97.1	96.2	98.9
Firms planning to expand	9.0	14.0	13.0	13.7	14.0	14.0	17.0
Firms reporting higher sales	-7.0	1.0	-3.0	-2.0	-3.0	-4.0	-3.0
Expecting economy to improve	-22.0	-10.0	-10.0	-7.3	0.3	-2.0	-1.0
Firms planning to hire	9.0	11.0	11.0	11.0	14.0	11.0	17.0
Available job openings	24.0	21.0	19.0	20.7	24.3	22.0	26.0
Firms raising selling prices	8.0	16.0	14.0	15.0	13.7	15.0	12.0
Firms planning to raise prices	26.0	26.0	26.0	24.7	22.0	22.0	24.0
Firms raising worker compensation	25.0	24.0	21.0	23.3	25.3	25.0	26.0

BOTTOM LINE: Small business optimism has fallen to recession-like levels at the start of 2008 (the NFIB noted that “this January reading is more of a recession in expectations than in hard economic data”—one could argue the same about the ISM nonmanufacturing index). The percentage of firms planning to hire declined to the lowest levels since mid-2006 although, oddly, the percentage of firms with available job opportunities rose and a higher percentage of firms were raising worker compensation.

John Ryding, Chief U.S. Economist (212) 272-4221
jryding@bear.com

Conrad DeQuadros, Senior Economist (212) 272-4026
cdequadros@bear.com

Meghna Mittal, Associate Economist (212) 272-1961
mamittal@bear.com

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