



American Express OPENsm Economic Pulse February 2010

OVERALL FINDINGS

The American Express OPEN Economic Pulse, a survey of small business owners designed to gauge sentiment and future plans, was conducted from January 28 – February 1, 2010. The poll has a margin of error of +/-4.0%.

- Small business owners are more optimistic about the economy than they were one year ago (43% think it will improve over the next 12 to 18 months versus 30% in January 2009)
- There is genuine concern and anxiety about the state of our economy: 38% say their greatest concern is a prolonged recession/“double dip” and 32% list high unemployment. Overall, 68% say the economy stresses them out (on par with January 2009)
- Small business owners would take advantage of a tax credit for hiring if they had one (51%) however customer demand is by far the greatest determinant in hiring (42%), not tax credits (11%) or access to financing (5%)
- Almost 60% of small business owners have not pursued credit in the last 6 months. Of that group, 22% worry about default or bankruptcy and 30% say there isn't enough demand for their products or services to warrant taking on new debt
- Federal deficits and high taxes don't seem to be major concerns for small businesses (8% and 18%, respectively), when compared to the aforementioned possibility of a “double dip” recession (38%) and high unemployment (32%)

Four in ten small business owners (43%) have a better outlook on the economy compared to 30% in January 2009. However, of those with a positive outlook, only 8% feel that the economy will improve dramatically in the next 12 to 18 months.

Q. What is your outlook on the economy over the next 12 to 18 months?

	October 2008	January 2009	January 2010
Much better	4%	7%	8%
Mildly better	30%	23%	35%
Things will remain about as they are	20%	26%	28%
Mildly worse	28%	26%	18%
Much worse	18%	18%	9%

Although optimism is up for many small business owners, the economy remains a constant worry for a majority of entrepreneurs (68%) as stress levels remain on par compared to last year.

Q. Does the state of the economy stress you out?

	October 2008	January 2009	January 2010
Yes	71%	66%	68%
No	29%	34%	26%
Not Sure	---	---	6%

Thirty eight percent of business owners say that a prolonged recession is their biggest concern

Q. Which of the following is of greatest concern to you?

	January 2010
A prolonged recession or “double dip” in the economy	38%
High unemployment	32%
High taxes	18%
Federal deficits	8%
Not sure	5%

Customer demand (42%) ranks number one as the reason for small business owners to hire, followed by an improved economy (25%).

Q. Which of the following would most incent you to hire?	
	January 2010
More customer demand	42%
Better economic outlook	25%
A tax credit	11%
Access to credit	5%
None of these	13%
Not sure	4%

Half of small business owners would be more likely to hire new employees if they received a tax credit for everyone they hired.

Q. I would be more likely to hire new employees if I received a tax credit for everyone I hired.	
	January 2010
True	51%
False	25%
Not sure	24%

A majority of small business owners have not pursued credit for their business over the past six months while 9% reported that they applied for and received new credit.

Q. Which of the following best describes your ability to access credit over the last six months (e.g. through a credit or charge product, bank loan or line of credit)?	
	January 2010
I have not pursued credit for my business over the last six months	59%
My existing line of credit was reduced by my lender	13%
I have applied for, but been declined, new credit for my business	11%
I have applied for and received new credit for my business	9%
My existing line of credit was increased by my lender	3%
Not sure	6%

Of the 59% of small business owners that have not pursued credit, one-third of business owners do not need access to credit because their business is generating enough revenue/cash flow on its own.

Q. Which of the following best describes the reason you have not pursued credit for your business over the last six months?	
	January 2010
I don't need to access credit because the business is generating enough revenue/cash flow on its own	33%
There is not enough demand for our products or services to warrant taking on new debt	30%
I am nervous about the risks associated with taking on debt, like the possibility of default and/or bankruptcy	22%
I am pursuing other types of financing, such as loan from family/friend, tapping person or retirement funds, etc.	3%
Some other reason	9%
Not sure	3%

Over the next six months, small business owners' most important priority is keeping and maintaining their current business and source of revenue (32%), although an increasing amount of entrepreneurs are prioritizing cutting expenses compared to last August (13% vs. 5%).

Q. Over the next six months, what will be your company's single most important priority?			
	August 2008	August 2009	January 2010
Managing cash flow issues	11%	13%	10%
Employee management (including hiring, supervising, training and development)	3%	1%	3%
Growing my business	29%	26%	28%
Addressing government paperwork and regulation	3%	4%	2%
Making the company more innovative (finding new ways to do business)	7%	5%	8%
Cutting expenses	10%	5%	13%
Keeping/maintaining my current business and sources of revenue	35%	41%	32%
Some other concern	1%	3%	1%
Not sure	2%	2%	4%

Two thirds of small business owners characterize the morale of their employees as good and that their employees appear to have adapted to the "new normal" economic environment.

Q. How would you characterize the morale of your employees?	
	January 2010
Very good – an all-time high	12%
Good – employees have adapted to the "new normal" economic environment	52%
Bad – employees are just happy to have a job	20%
Very bad – employees are worried about their jobs and financial prospects	9%
Not sure	8%

<i>Despite the economy, 8 in 10 small business owners enjoy being an entrepreneur.</i>	
Q. Despite the economy, I enjoy being an entrepreneur	
	January 2010
True	80%
False	6%
Not sure	14%

<i>Similar to last year, a majority of small business owners feel that the independence and control that they were seeking when they started their own business is threatened by economic forces out of their control.</i>	
Q. The independence and control I was seeking when I started my own business is threatened by economic forces out of my control.	
	January 2010
True	64%
False	22%
Not sure	14%

Survey Methodology

The January 2010 American Express OPEN Economic Pulse is based on a nationally representative sample of 600 small business owners/managers of companies with fewer than 100 employees. The online survey was conducted by Echo Research from January 28 – February 1, 2010. The poll has a margin of error of +/-4.0%.

The January 2009 American Express OPEN Economic Pulse is based on a nationally representative sample of 600 small business owners/managers of companies with fewer than 100 employees. The online survey was conducted by Bredin Business Information from January 27 – February 20, 2009. The poll has a margin of error of +/-4.0%.

The October 2008 American Express OPEN Economic Pulse is based on a nationally representative sample of 602 small business owners/managers of companies with fewer than 100 employees. The online survey was conducted by Bredin Business Information from October 6 - October 7, 2008. The poll has a margin of error of +/-4.0%.

The August 2009 American Express OPEN Small Business Monitor, released each spring and fall since 2002, is based on a nationally representative sample of 763 small business owners/managers of companies with fewer than 100 employees. The anonymous survey was conducted via telephone by Echo Research from August 11- August 25, 2009. The poll has a margin of error of +/- 3.6%.

The August 2008 American Express OPEN Small Business Monitor, released each spring and fall since 2002, is based on a nationally representative sample of 768 small business owners/managers of companies with fewer than 100 employees. The survey was conducted via telephone by Echo Research from August 12- August 25, 2008. The poll has a margin of error of +3.5%.

About American Express OPENSM

American Express OPEN is dedicated exclusively to the success of small business owners and their companies. OPEN supports business owners with exceptional service. With tailored products and services, the team delivers purchasing power, flexibility, control and rewards to help customers run their business. Specifically, business owner customers can leverage an enhanced set of products, tools, services and savings, including charge and credit cards, convenient access to working capital, robust online account management capabilities and savings on business services from an expanded lineup of partners. To obtain more information about OPENSM, visit OPEN.com, or call 1-800-NOW-OPEN to apply for a card or loan. Terms and conditions apply.

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