

Small businesses bit more optimistic

BY SARA MURRAY

Small businesses grew slightly more optimistic last month, though they are still climbing out of a funk brought on by a credit crunch and a severe recession.

The Index of Small Business Optimism, released Tuesday by the National Federation of Independent Business, rose 1.3 points to 89.3 in January. It is up 8.3 points from March, the index's low since the recession began at the end of 2007 and its second-lowest reading in history.

Separately, a new report showed businesses cut wholesale inventories in December.

Economists are keeping a close watch on the mood of small businesses, which typically create jobs rapidly during economic expansions.

"Despite the marginal increase in January, small businesses continue to lag the overall economic recovery," RDQ Economics analysts wrote in a note to clients. "Historically, small businesses have created much of the hiring in an economic expansion and the weak state of small business confidence remains a roadblock to faster recovery."

The report found the fraction of small businesses making capital expenditures rose from the prior month but remained weak.

Regular borrowers said credit was still difficult to obtain. The businesses surveyed said lackluster sales was their top problem and this meant they didn't need to hire. Just 9% of owners added employees; 19%

cut jobs.

A larger employment survey confirmed that employers didn't feel any urgency to add workers. The number of job openings in the U.S. rose 2.6% to a seasonally adjusted 2.5 million in December, the Labor Department's Job Openings and Labor Turnover survey showed Tuesday. The number of hires fell 1.3% to 4.1 million, and layoffs and firings rose 3.4% to 2.1 million in December.

There were 6.1 job seekers per open job in December, down a bit from 6.3 job seekers chasing each job in November, the left-leaning Economic Policy Institute noted.

"To absorb the over 15 million officially unemployed workers in this country, plus the nearly 2.5 million 'marginally attached' workers...job openings and hiring must rebound dramatically," said Lawrence Mishel, president of the institute. "This report offers no indication that that is happening."

Meanwhile, wholesale inventories decreased 0.8% to \$383.57 billion in December, compared to a 1.6% increase in November, the Commerce Department said Tuesday. Stockpiles for both durable goods, meant to last three years or more, and nondurables declined.

Companies slashed inventories deeply in the first nine months of 2009 to rid excess supply accumulated during the recession. The inventory drawdown forced businesses to increase production to replenish inventories.

—Jeff Bater
contributed to this article.

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