



High hopes: Small business is becoming optimistic

By JOYCE M. ROSENBERG (AP) – 4 hours ago

Reprinted September 9, 2009

NEW YORK — Small business owners are joining consumers and investors in showing some cautious optimism about the economy.

An index that measures owners' optimism rose last month, boosted by expectations that business conditions will improve in the future. And there's anecdotal evidence from owners in a variety of industries who say they have reasons to feel a little more upbeat.

The National Federation of Independent Business, which surveys its members each month, said its index of business owner optimism rose 2.1 points to 88.6 in August, an increase that NFIB chief economist William Dunkelberg called "a big gain." The optimism, though, is about the future, as owners still have a dim view of current economic conditions. Dunkelberg noted that small businesses generally aren't planning big capital expenditures or to start hiring again.

"First you have to feel better before you'll spend your money," Dunkelberg said.

Dunkelberg makes the same caveats that other economists do: If consumer spending doesn't pick up, the budding optimism is likely to wither. But, he said, having watched decades of economic cycles, "every recovery begins with an improvement in the feel good stuff, and that's followed by an improvement in the hard spending numbers."

Several small business owners interviewed by The Associated Press reported that their own optimism, as well as that of their clients and customers, has started to improve recently.

"It's still tough, but people are at least starting to speak in normal terms again," said Michael Frenkel, president of New York-based M Frenkel Communications Inc.

Like many other public relations firms, Frenkel's business was hurt when clients slashed their marketing budgets, often the first casualties when companies cut costs. Now, he said, with his hotel and real estate clients putting their budgets together, "things are looking a bit looser for the fourth quarter and they're looking even looser for the beginning of 2010."

But Frenkel said business owners have been forced to adapt to a new reality: The booming economy of two and three years ago, when a company like his could find business almost anywhere, isn't likely to return soon. So, he said, "you just try to go out there and make it happen."

Ian Ford, whose company sells discount tickets to Orlando, Fla., tourist attractions, has become more optimistic as his sales, which dropped off last September and fell as much as 20 percent, started to rebound this summer. Part of the improvement followed Walt Disney World's discontinuing some of its deep discounts, which in turn lifted demand for the tickets sold by Ford's company, Undercover Tourist. Also, more people are willing to travel now.

"A lot of it is psychological. The stock market is not as crazy. I think people are feeling a little more comfortable," Ford said.

Larry Harding, whose company provides services to small businesses expanding overseas, said he's seeing "a significantly higher level of optimism, especially over the last handful of months."

Signs of improvement in the economies of China and European countries are motivating his U.S.-based clients to go ahead with expansion plans that were put on hold last year and this year, said Harding, CEO of High Street Partners, which is based in Boston and Washington, D.C. He said one client, who planned to start doing business in 12 countries only to scale back dramatically to just one, is now feeling confident enough to go ahead with plans for business in 10.

The uncertainty was what chilled expansion plans.

"Everyone was concerned about, how bad is it really going to be, how bad is it and when is it going to end," he said. "When people couldn't get a handle on those questions, what they decided to do was assume it was going to be the worst-case scenario."

"Once they got a bit of clarity on how bad the damage was, they were able to make decisions," Harding said.

Harding is himself a small business owner, and the pickup in optimism is benefiting his company. After a few year of being in what he called hyper-growth mode, business was flat in the first quarter and fell 2 percent in the second three months of 2009. Now, "we're sort of spiking back up again."