

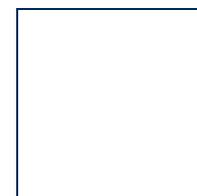
The National and Local Economic Outlook



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The State of Small Business
Charlottesville, Virginia
July 22, 2010



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- The views and opinions expressed in the following presentation are those of the speaker.
- They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.





Structure of Presentation:

The US Economy

The Labor Market

Small Business Perspective

Outlook Implications



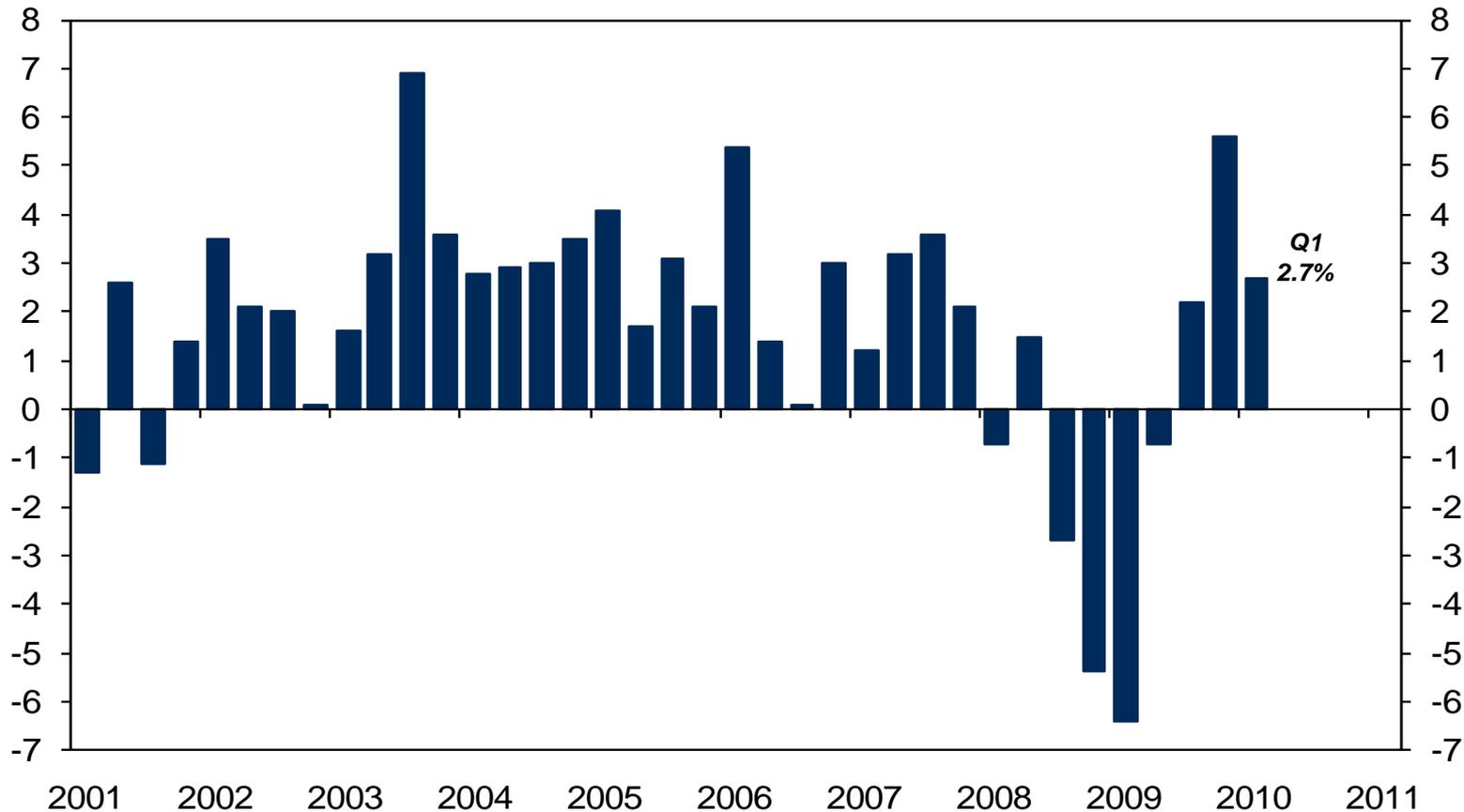
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Real Gross Domestic Product

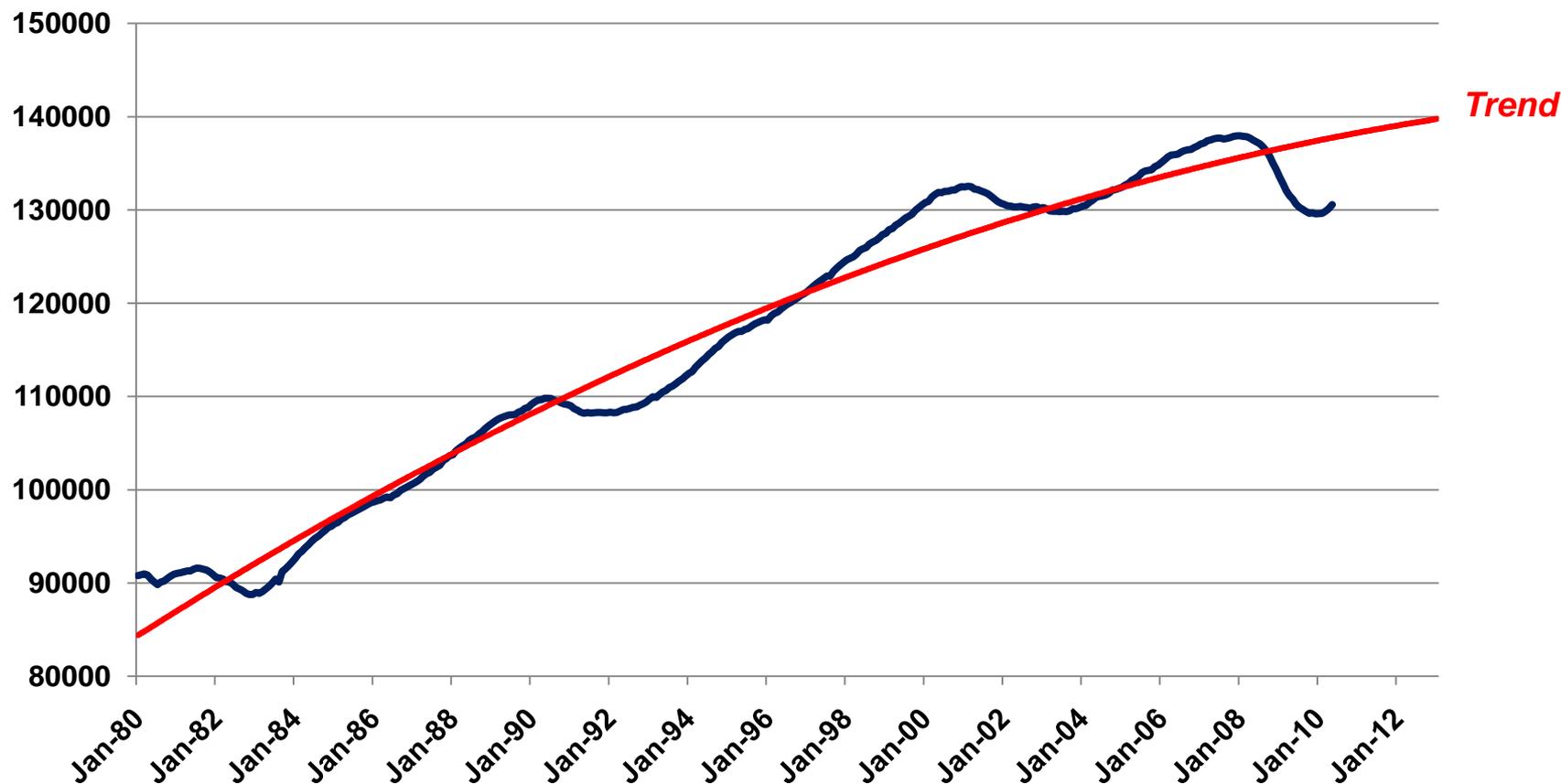
Annualized Growth Rate (Percent)





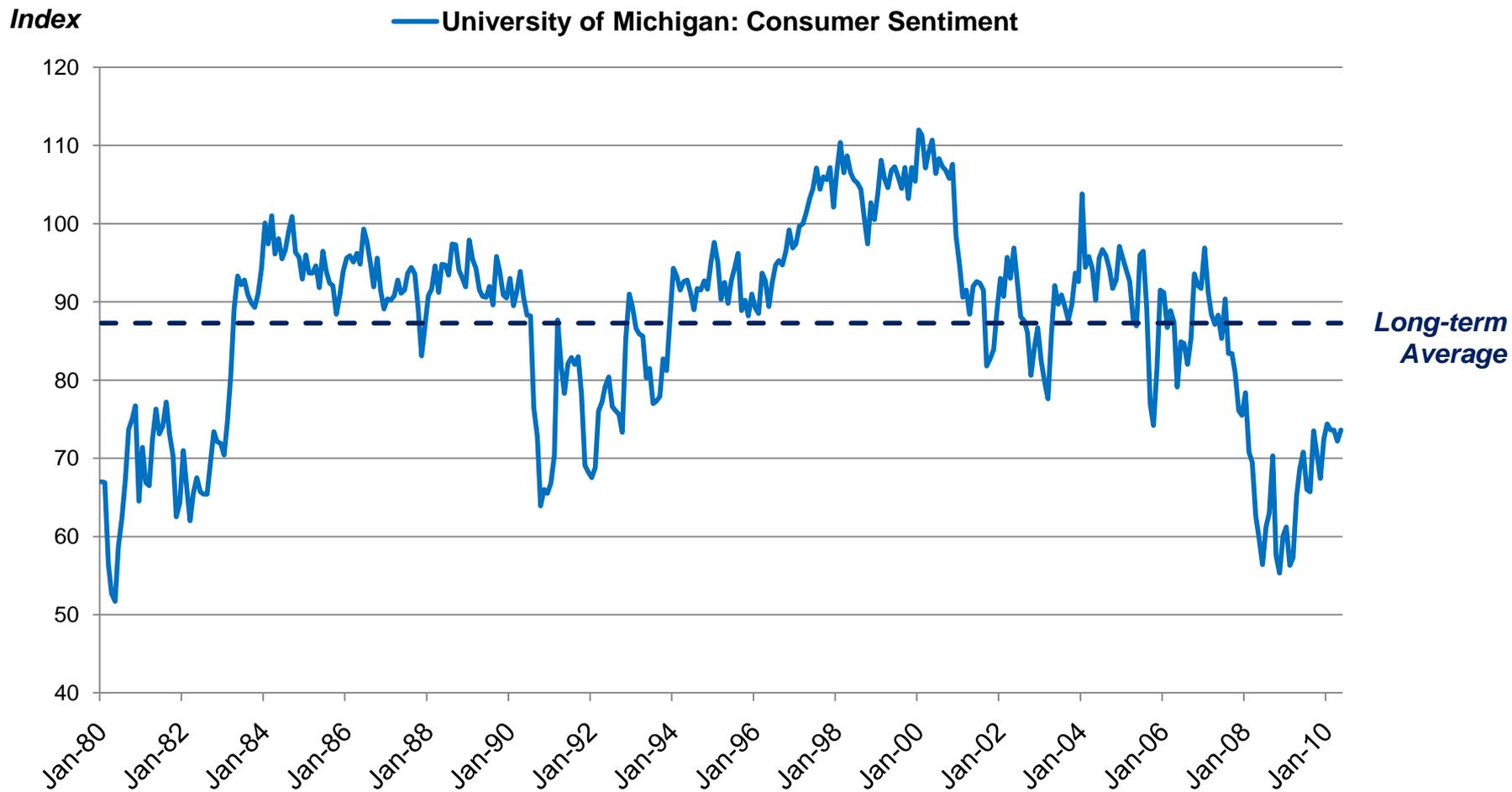
Total Nonfarm Employment

Number of Workers



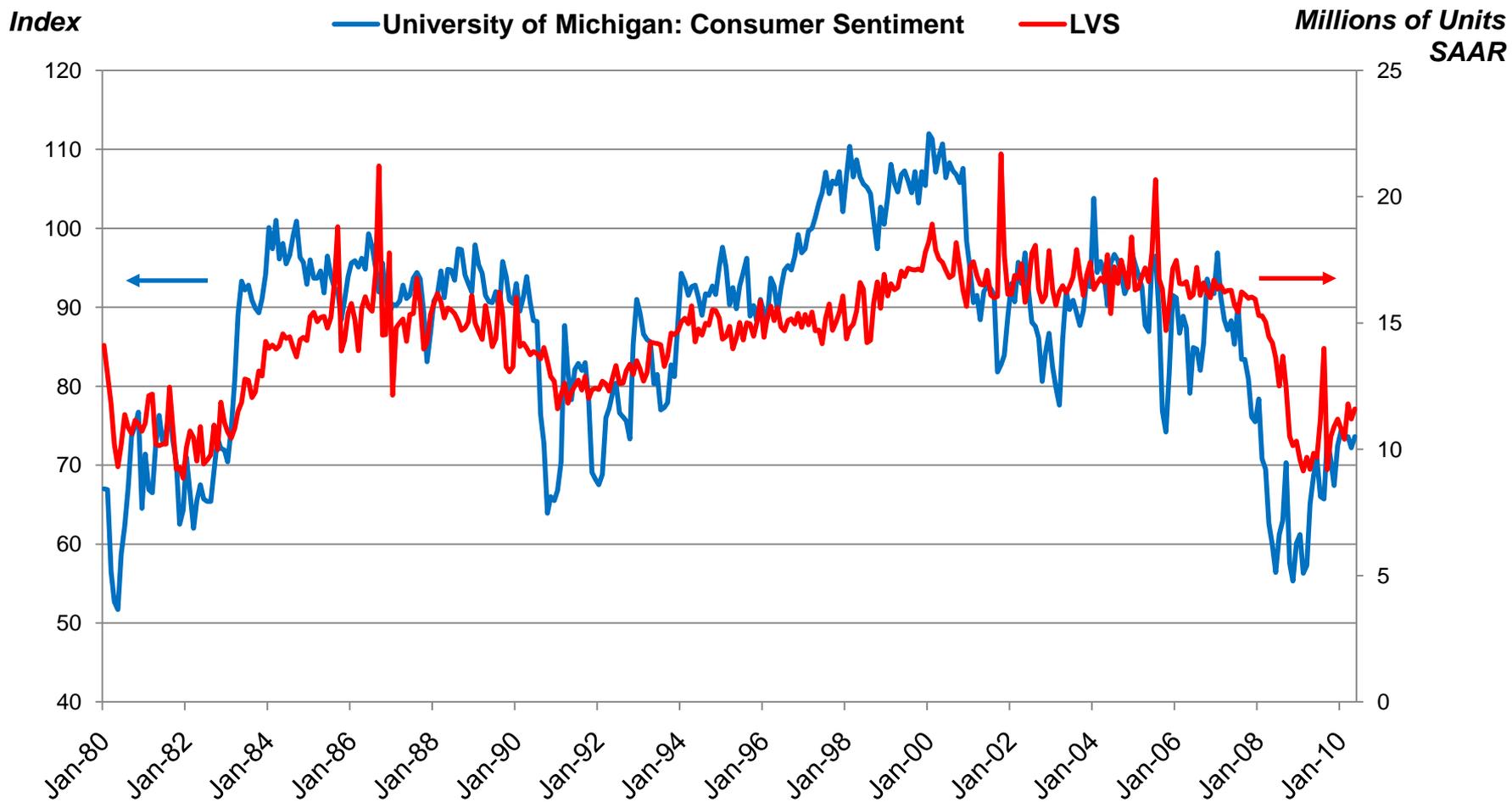


Consumer Confidence





Consumer Confidence vs Light Vehicle Sales





Senior Loan Officer Survey (Households) vs Sales

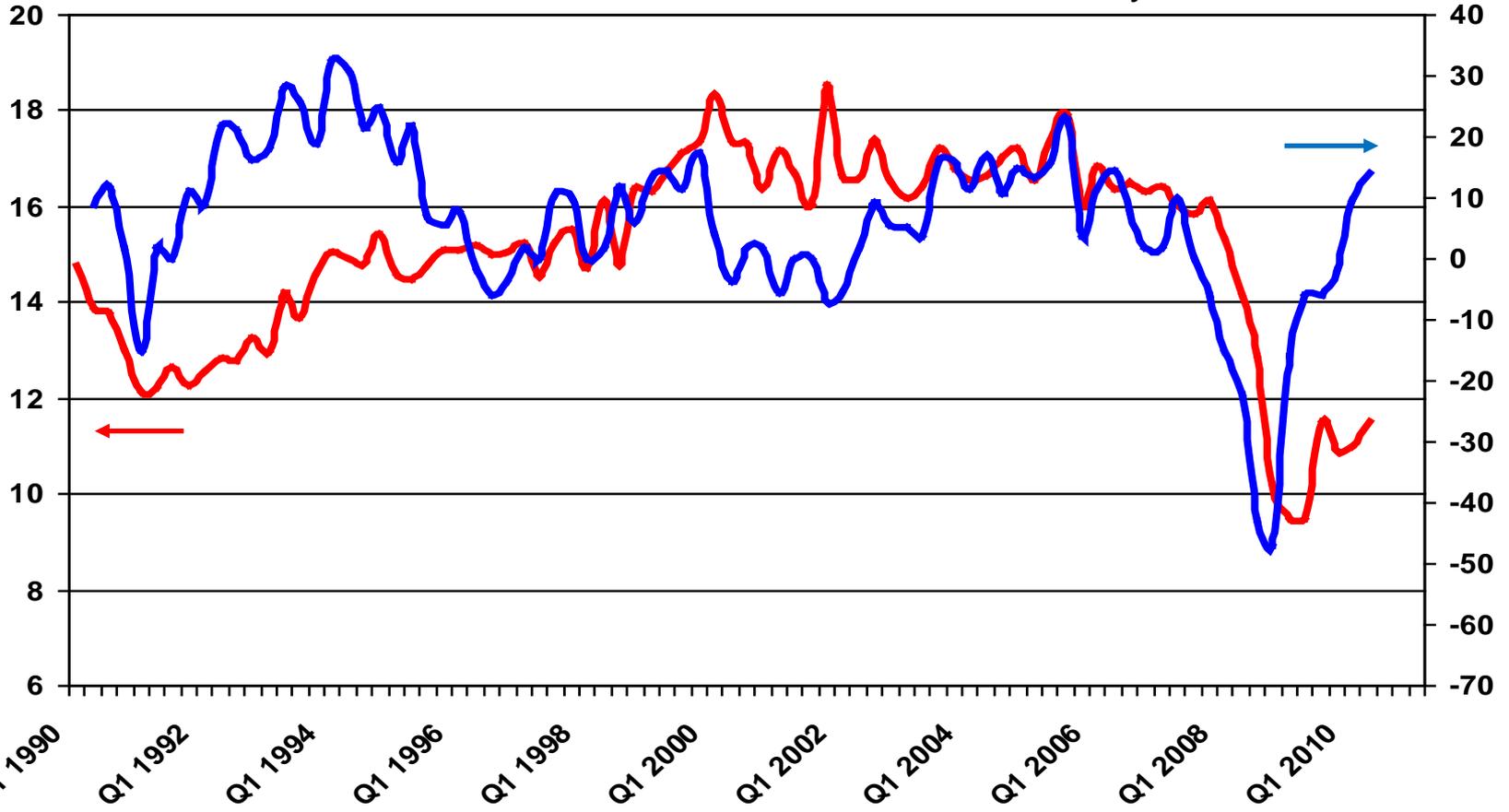
Net percentage reporting willingness to make installment loans

Millions of Units
SAAR

— Sales

— Loan Survey

Net Percent



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Source: Federal Reserve Board/Haver



The Labor Market



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Most Impacted by Recession:

Dec 2007 to Dec 2009

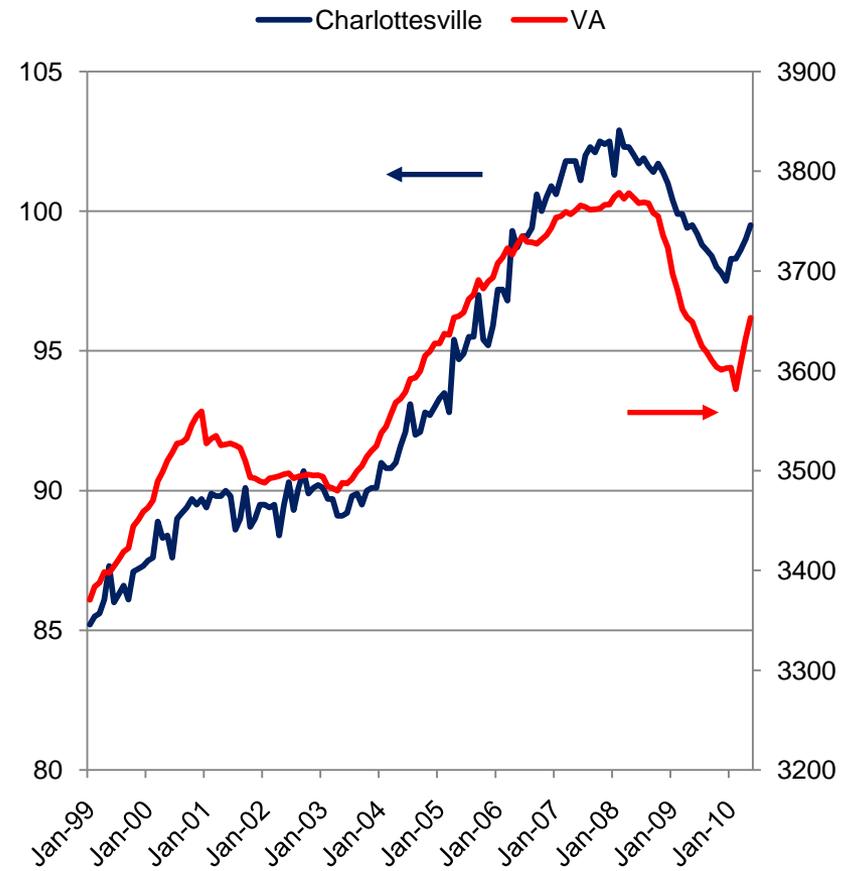
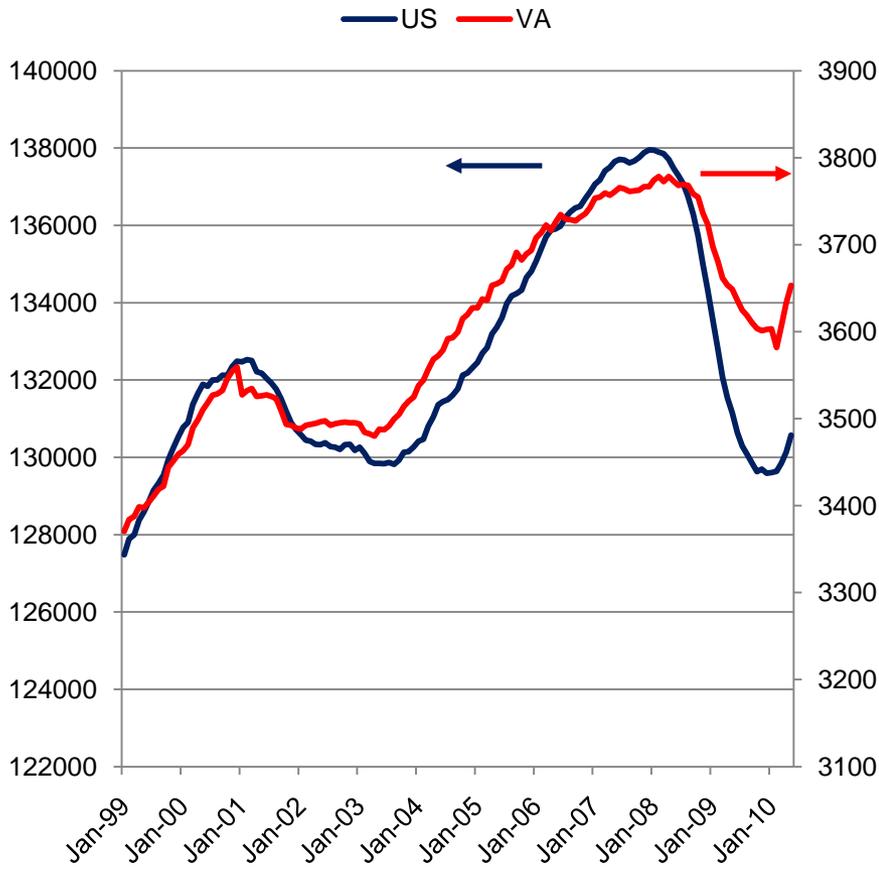
	Jobs Lost/Gained (thousands)	Percent Change	Rank
United States	7,056	-5.2	
Nevada	-138	-10.7	1
Arizona	-262	-9.8	2
Michigan	-411	-9.7	3
Florida	-608	-7.6	4
Georgia	-314	-7.6	5
California	-1,041	-6.9	9
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North Carolina	-248	-5.9	18
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Virginia	-113	-3.0	39





Employment by State and Charlottesville

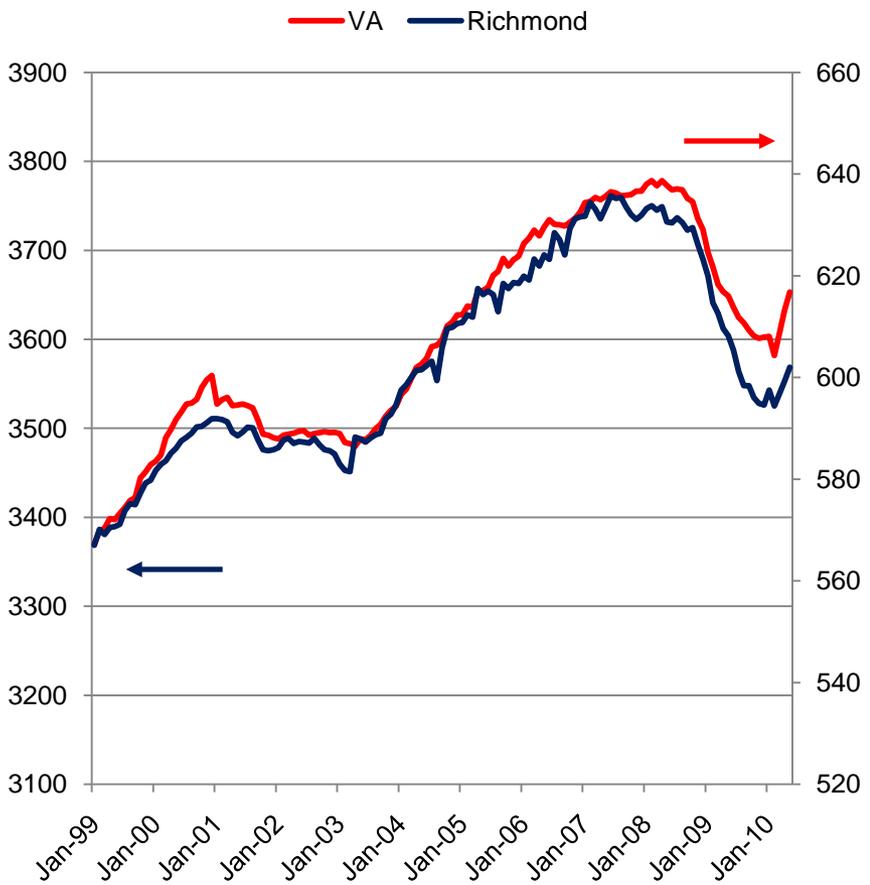
Number of Workers





Employment by Richmond and Danville

Number of Workers





Small Business Perspective





Employment Growth by Establishment Size

Recessionary Periods

Nation				Virginia			
Small	Medium	Large	Total	Small	Medium	Large	Total
Under 50	50-499	Over 500		Under 50	50-499	Over 500	

Total

1990-92	6.0%	-3.5%	-14.6%	-2.3%	2.3%	-6.1%	-11.7%	-3.7%
2001-03	1.3%	-4.6%	-9.1%	-3.0%	2.5%	-5.1%	-9.3%	-2.6%
2008-09	-2.5%	-6.3%	-5.7%	-4.5%	-2.2%	-5.6%	-0.9%	-3.4%

Goods Producing

1990-92	-5.4%	-7.7%	-11.5%	-8.1%	-13.5%	-10.3%	-7.8%	-10.5%
2001-03	-2.2%	-10.8%	-17.8%	-9.6%	1.5%	-10.5%	-16.4%	-8.1%
2008-09	-7.6%	-12.1%	-11.6%	-10.4%	-9.2%	-13.0%	-6.5%	-10.3%

Services Producing

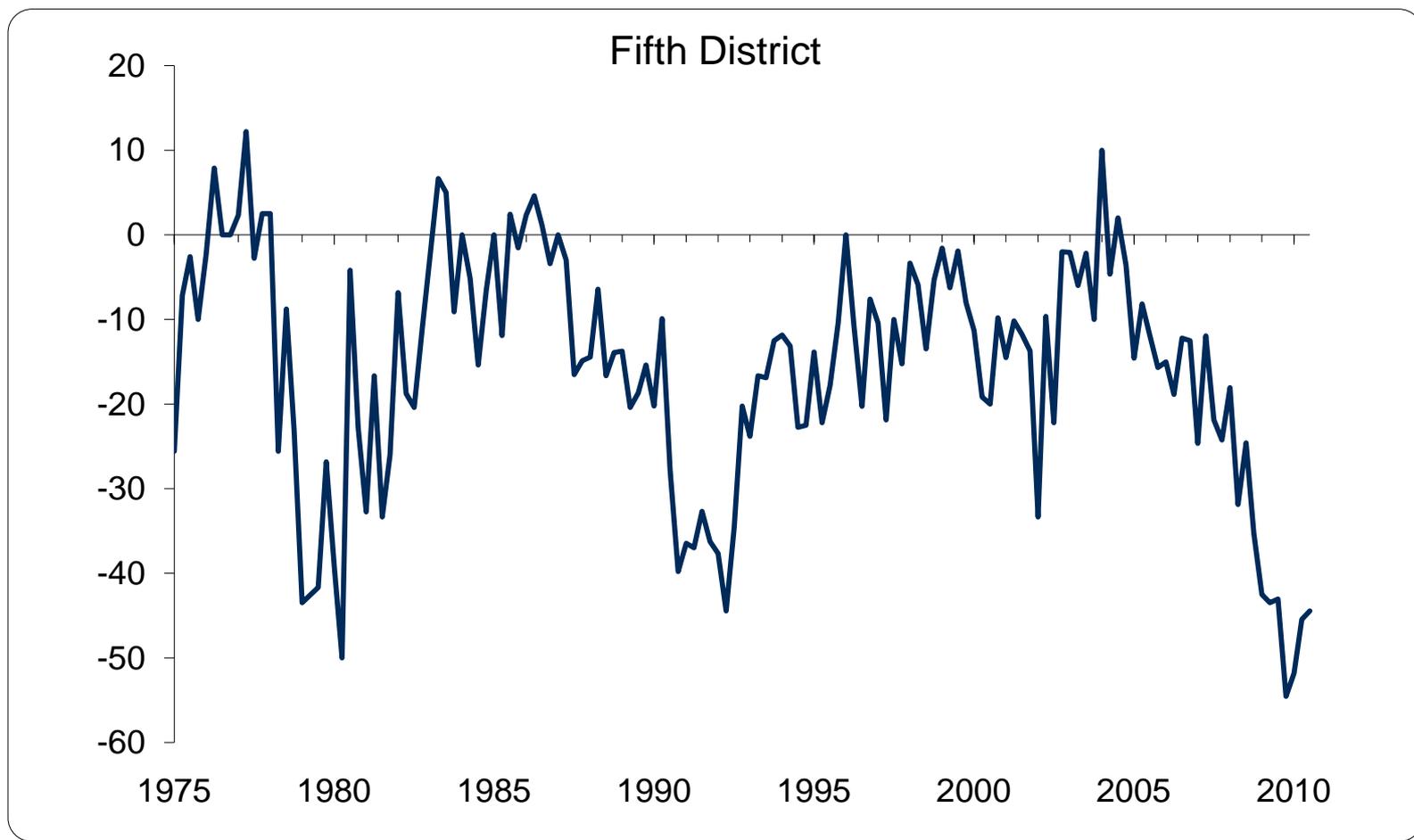
1990-92	9.1%	-1.7%	-16.1%	-0.2%	6.2%	-4.6%	-14.3%	-1.2%
2001-03	2.1%	-2.5%	-5.7%	-1.0%	2.7%	-3.6%	-6.1%	-1.1%
2008-09	-1.5%	-4.6%	-3.9%	-3.1%	-1.0%	-4.0%	0.7%	-2.0%





Small Business Credit Problems in the Fifth District

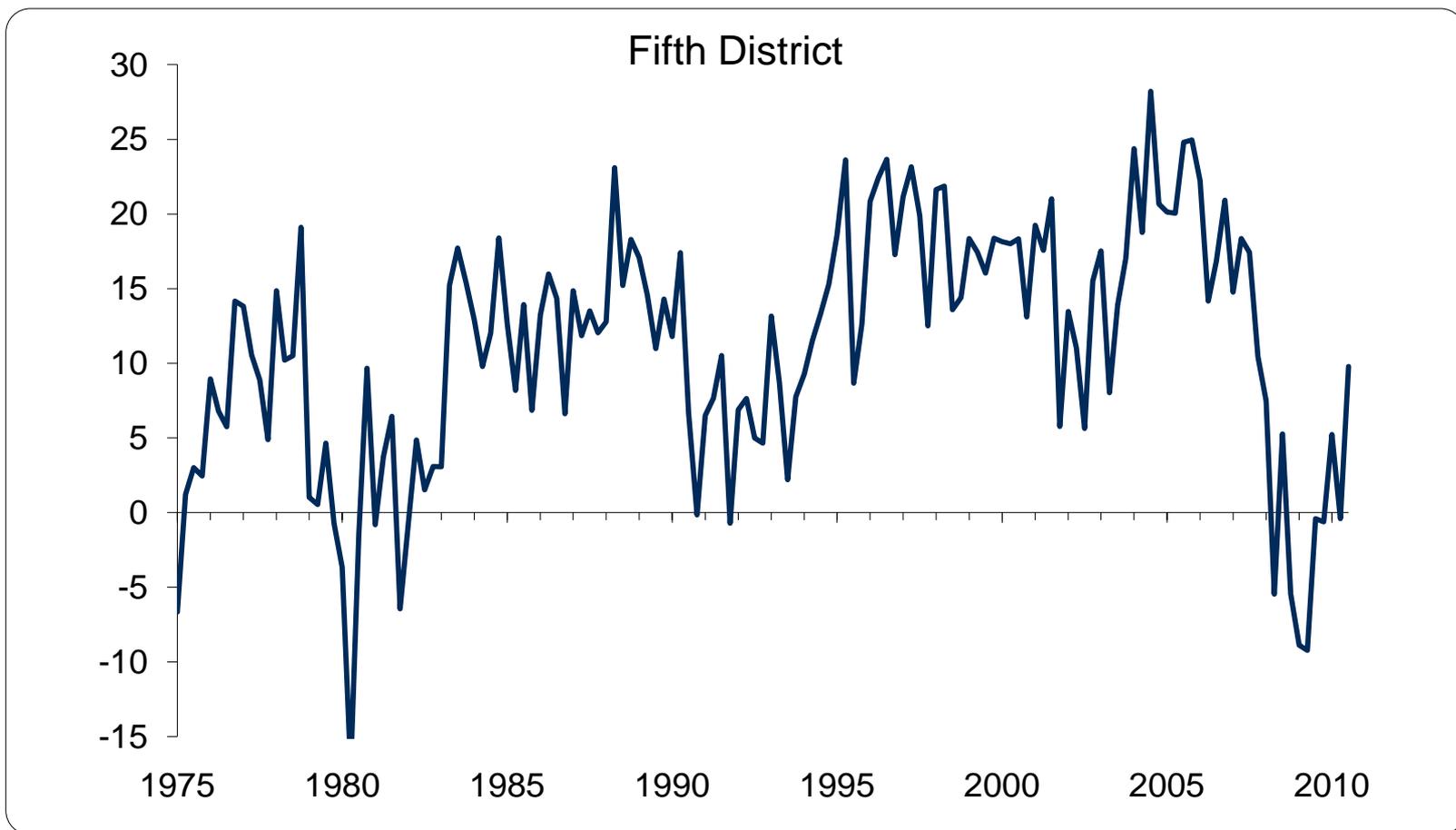
Percent Easier to Get – Percent Harder than 3 Months Ago





Small Business Hiring Plans—Next Three Months

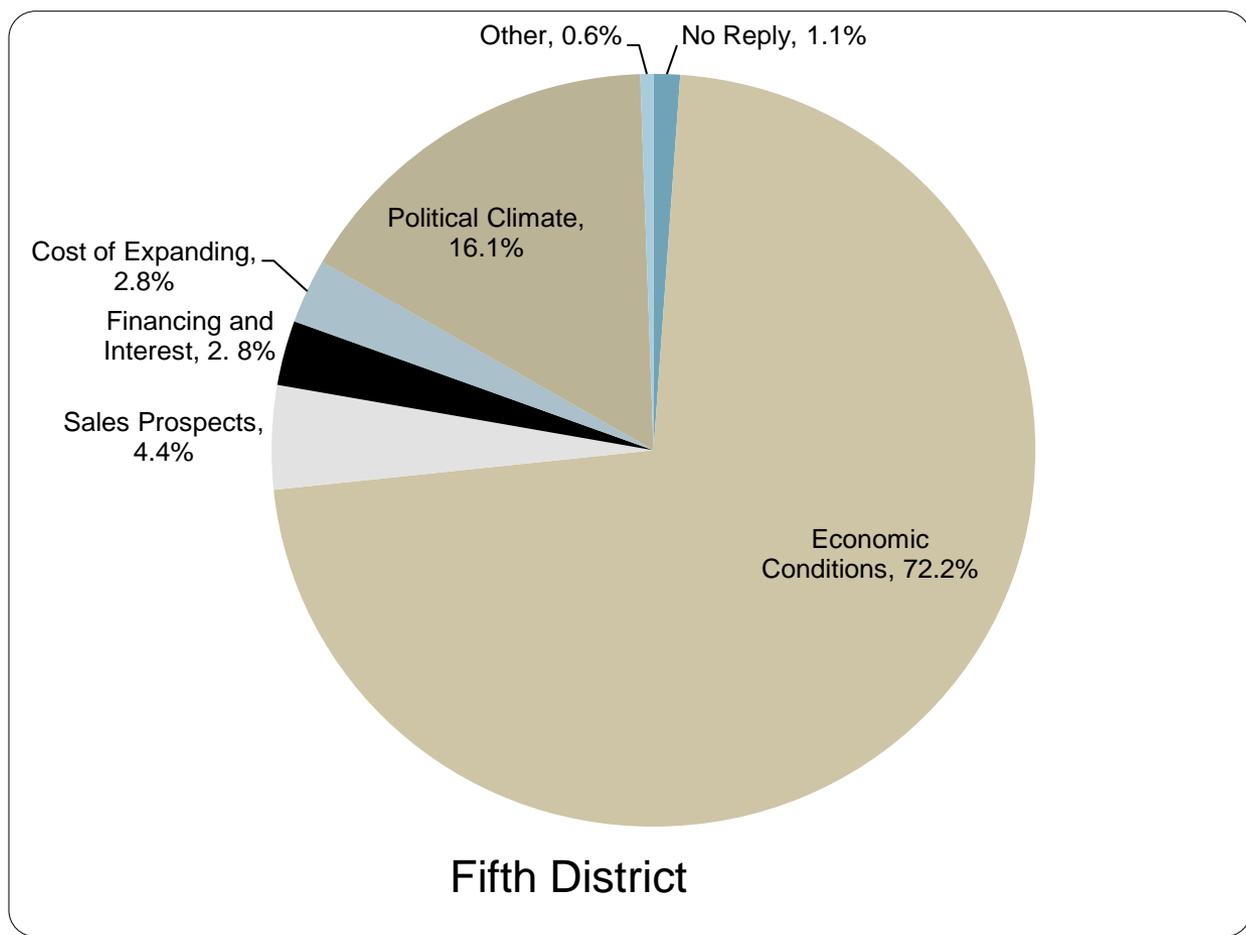
% Planning to Hire - % Planning Layoffs





Reasons Not to Expand

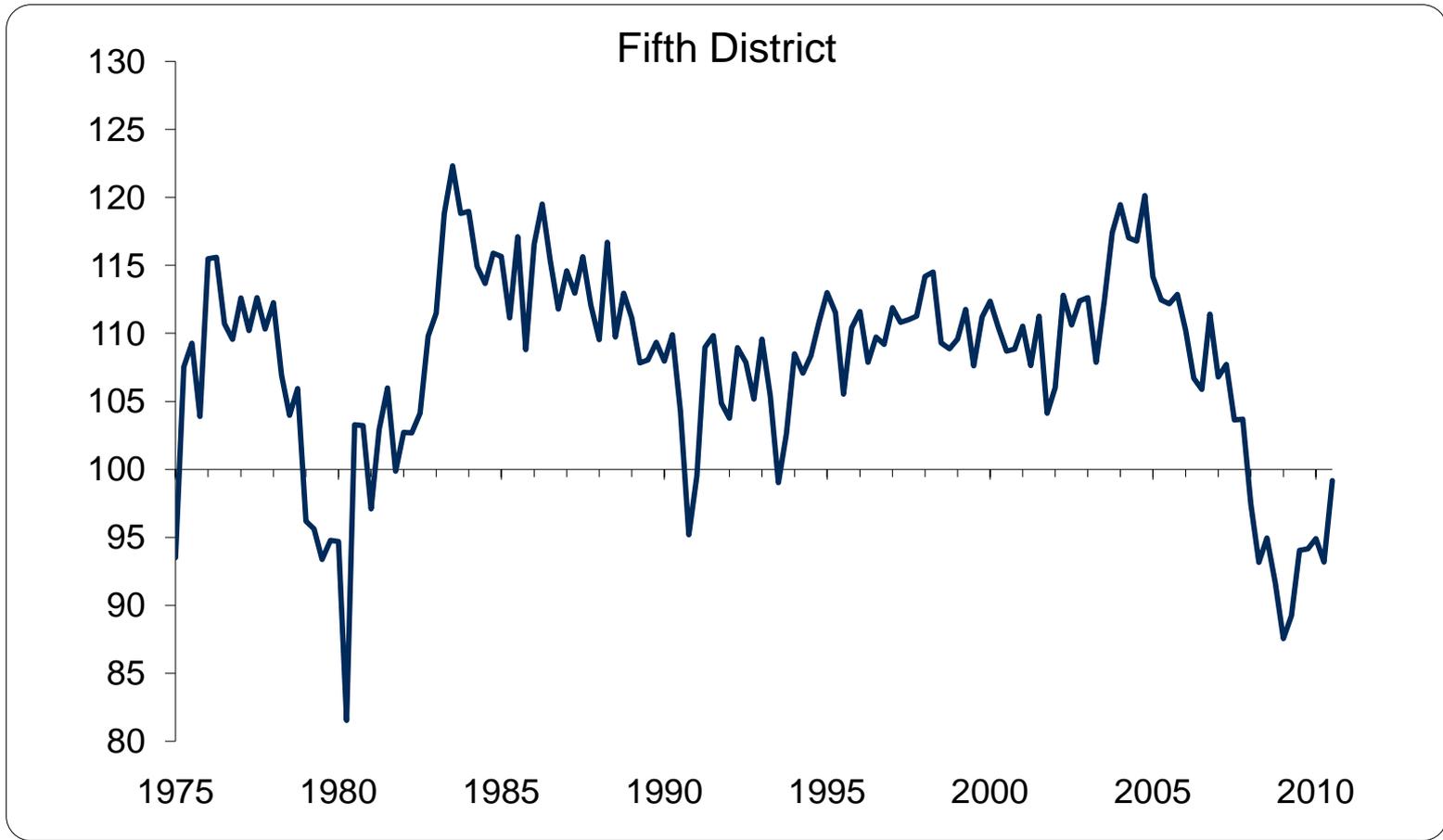
Q2 2010





Small Business Optimism Index in the Fifth District

Index: 1986 = 100



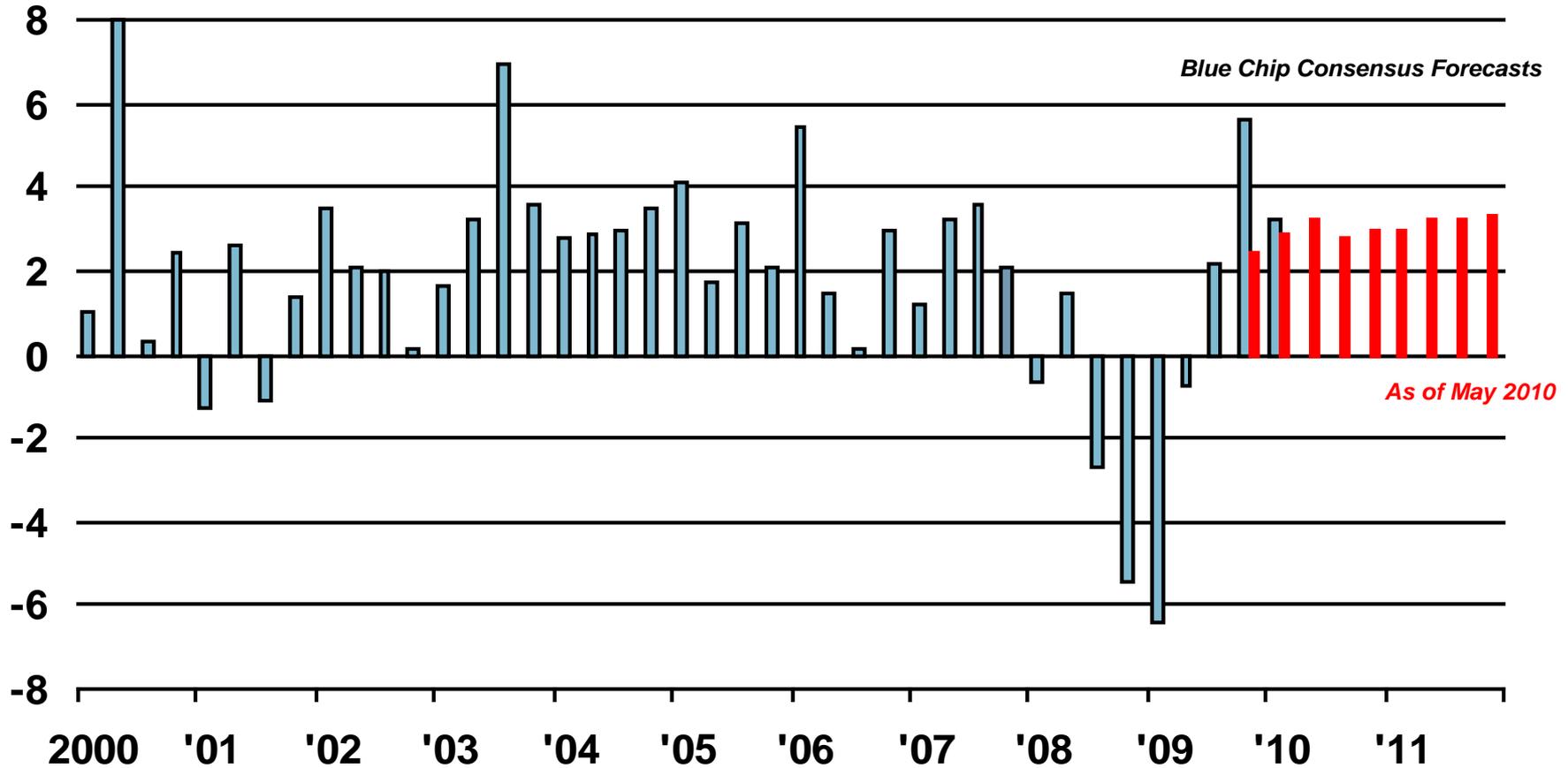


The Outlook Implications



Real GDP Growth—National Outlook

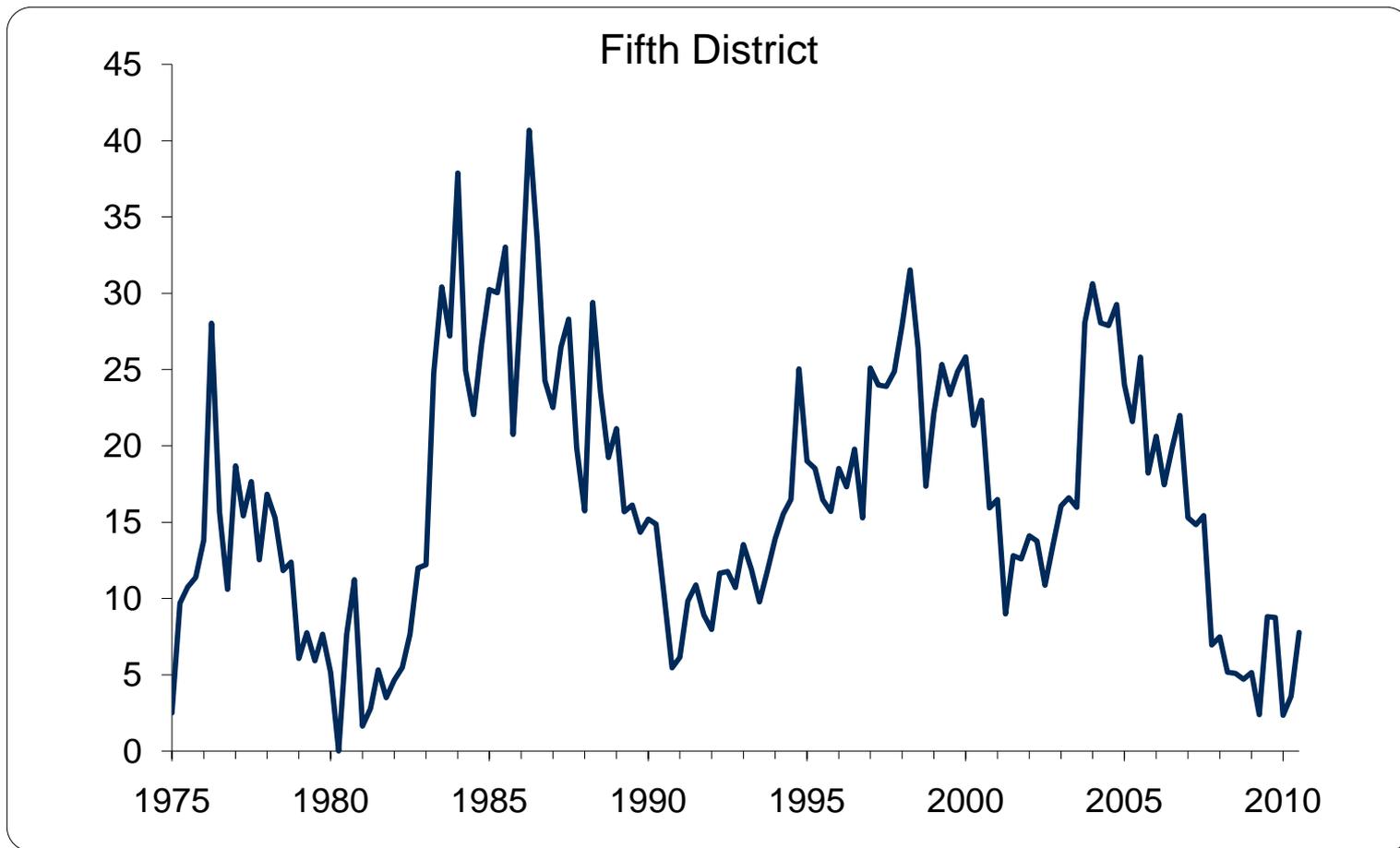
Percent change, annual rate





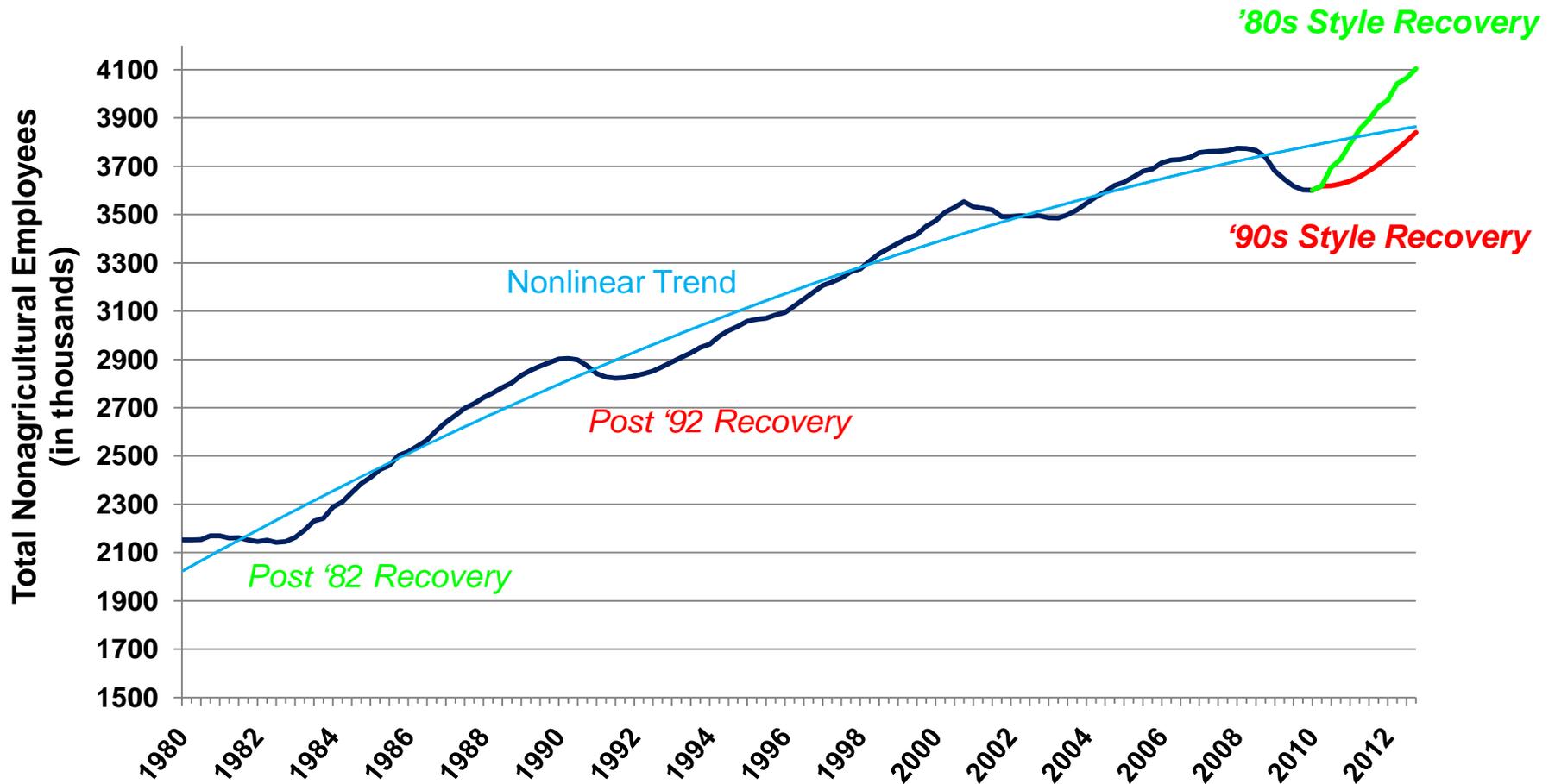
Outlook for Small Business Expansion

Percent “Now is a Good Time to Expand”



Employment Trend and Outlook--Virginia

Level





Summary

- The US economic recovery so far is sub-par; sluggish and still fragile.
- Local labor markets have been hard hit by the recession, but are beginning to recovery--albeit slowly.
- Charlottesville's employment has outperformed both the state and the nation in recent years, including the recession.
- Small business employment, especially in the service sector, experienced an unusual decline during the recession.
- Small businesses in the region are experiencing tight credit, but are mostly being constrained by weak demand.
- Small businesses in the region are reluctant to expand hiring and will likely contribute to a sluggish economic recovery.





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