

Signs of Optimism Among Small and Mid-Sized Businesses, But Lack of Credit Could Threaten 'Green Shoots'

July 2009

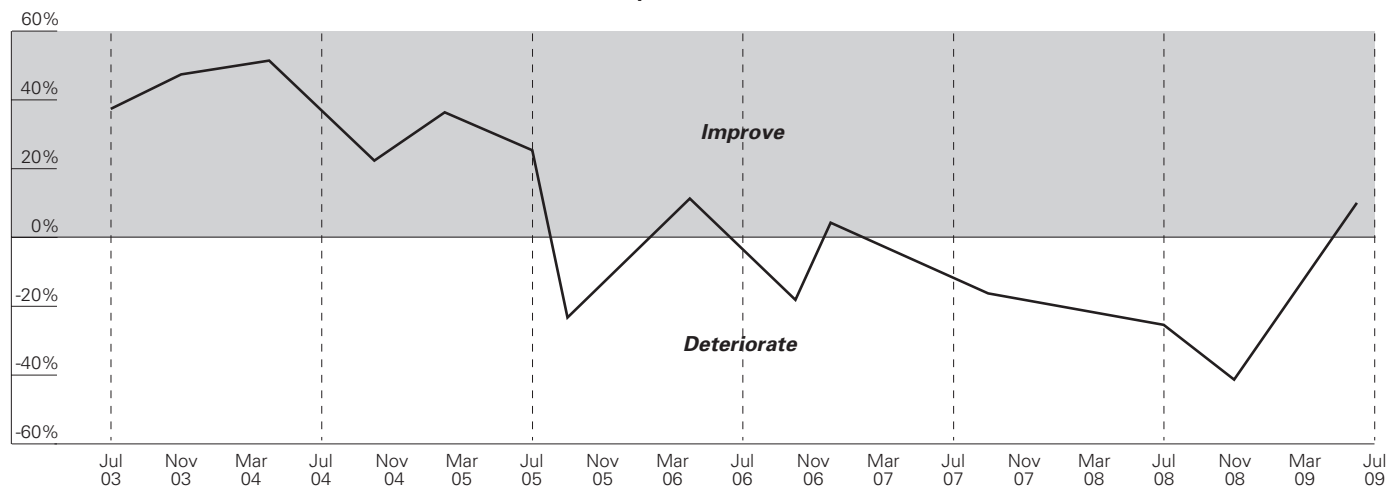
For the first time in two years, a majority of U.S. small and mid-sized companies think the economy will improve in the coming six months, according to new research from Greenwich Associates. However, companies' continued difficulties obtaining credit could pose a serious risk to any nascent recovery.

The Greenwich Optimism Index (GOI) tracks the economic sentiment of small and mid-sized businesses in

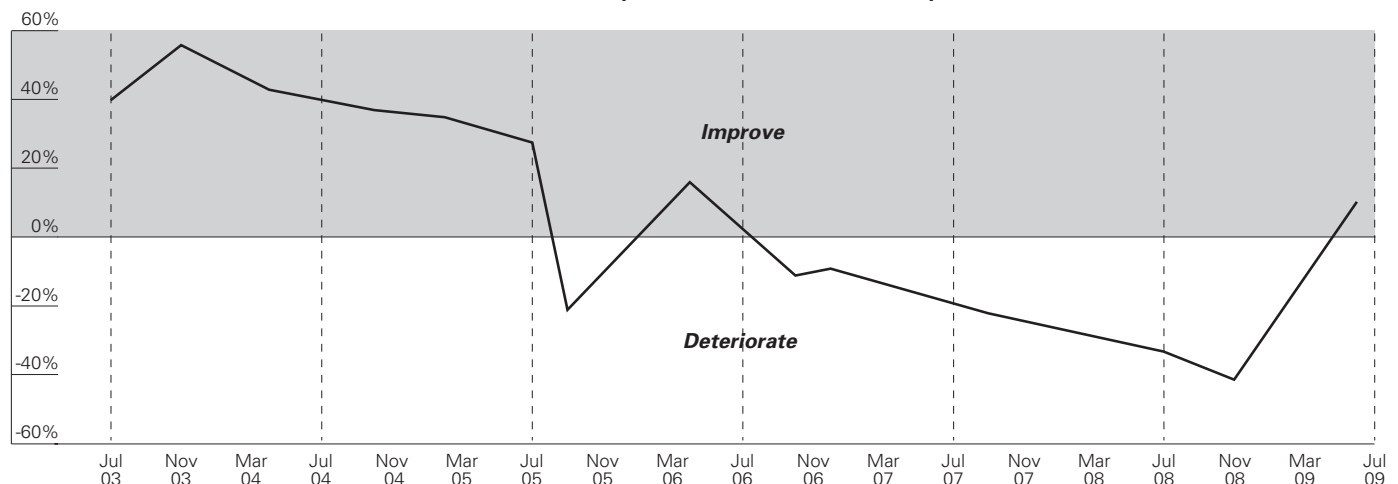
the United States. The GOI for mid-sized businesses had been in negative territory since the third quarter of 2006, meaning that the number of mid-sized companies predicting economic slowdown in the coming six months outnumbered those predicting economic growth. After an initial dip and rebound in the second half of 2006, the GOI for U.S. small businesses had been in negative territory since the first quarter of 2007. The Index for both groups edged into positive territory in the most recent

For the first time in two years, small and mid-sized company executives are increasingly optimistic about the state of the economy.

Greenwich Optimism Index – Small Businesses



Greenwich Optimism Index – Mid-Size Companies



Source: Greenwich Market Pulse v32.

Note: The Greenwich Optimism Index is the net score of companies who feel that the economy will improve versus deteriorate.

Greenwich Associates' survey, which asked companies for their outlooks for the fourth quarter of 2009.

"Although this positive sentiment supports the notion that the economy may begin to recover in the fourth quarter, the fact that small and mid-sized companies continue to struggle to obtain credit critical to their businesses could jeopardize the much-discussed 'green shoots,'" says Greenwich Associates consultant Steve Busby.

Almost 70% of small businesses and nearly two-thirds of mid-sized businesses say their access to credit is more limited now than it was at this point in 2008. That overall proportion includes 40% of small businesses and one-third of mid-sized businesses reporting that it has become "much harder" for them to secure credit over that period. (One quarter of small businesses and 28% of mid-sized businesses say credit availability has not changed from 2008 to 2009; across both groups, 5–6% say credit conditions have improved.)

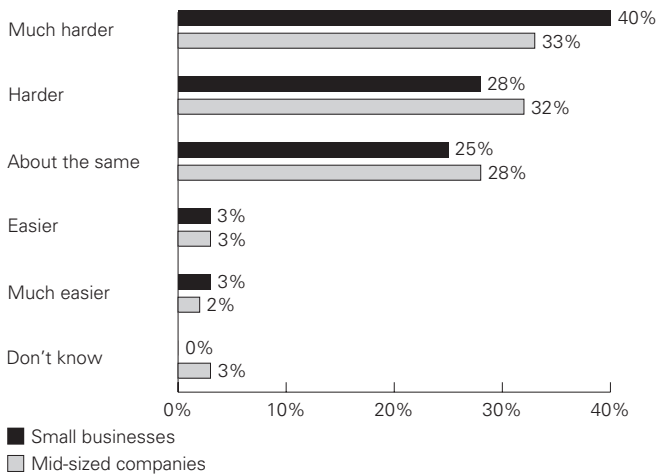
"Credit availability for small and mid-sized businesses continues to be a major issue, and has steadily become more of an issue since the second half of 2007," says Steve Busby. "It will be difficult for a recovery to gain any real traction until an uptick in credit access occurs."

Steve Busby advises on banking in the United States.

Methodology

The Greenwich Market Pulse is a panel of approximately 30,000 financial decision makers at small (\$1 million–\$10 million) and mid-sized (\$10 million–\$50 million) companies in the United States. The current survey was conducted in May and June 2009. Seven hundred and fifty companies participated, including 237 small businesses and 513 middle market companies.

Distribution of Opinions About Credit Availability Now Compared to Last Year



Source: Greenwich Market Pulse v32.

GREENWICH REPORT — CONFIDENTIAL



6 High Ridge Park Stamford CT 06905 USA

Tel: 203 625 5038/800 704 1027

Fax: 203 625 5126

email: ContactUs@greenwich.com

www.greenwich.com