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**Regional Small Business Outlook – Fall 2006
OPEN from American Express Small Business Monitor**

**Optimism in the West; Concern about the Economic Climate in North Central States;
Northeast Feels the Impact of Higher Energy Costs**

Small business owners expect their businesses to grow over the next six months regardless of the economy, with business owners in the West the most optimistic:

Northeast	South	North Central	West	Small Business Overall
43%	39%	38%	54%	43%

Small business owners in the North Central region are more likely to say that uncertain economic conditions are the biggest challenge to growing their enterprises:

Northeast	South	North Central	West	Small Business Overall
13%	21%	31%	13%	20%

In response to higher energy costs, small businesses in the Northeast are most likely to have experienced a significant impact over the past six months:

Northeast	South	North Central	West	Small Business Overall
54%	41%	48%	43%	45%

Small businesses in the West are more likely to have plans to hire in the next six months:

Northeast	South	North Central	West	Small Business Overall
32%	34%	29%	39%	34%

Small businesses in the West are more likely to make capital investments:

Northeast	South	North Central	West	Small Business Overall
54%	56%	51%	63%	56%

Small businesses in the South are more likely to report having cash flow issues over the next six months:

Northeast	South	North Central	West	Small Business Overall
46%	51%	49%	38%	47%

Small businesses in the Northeast are most likely to offer healthcare benefits to their employees during the past six months:

Northeast	South	North Central	West	Small Business Overall
79%	65%	65%	77%	71%

Small business owners in the West are most likely to take steps to make their business more environmentally friendly:

Northeast	South	North Central	West	Small Business Overall
85%	87%	84%	88%	86%

Northeast At-a-Glance

Outlook

- Four in ten (43%) small business owners in the **Northeast** expect their business to grow regardless of the economy.

Attitudes on Business

- Nearly half (48%) of business owners in the **Northeast** love what they do and cannot imagine making a living any other way. Two thirds (67%) would recommend a friend or family member go into business for themselves. Nearly a third (31%) feel they are successful if they are able to create good relationships and a sense of community through their business or have been able to strike a balance between career and family. One in four (26%) decided to go into business for themselves because they couldn't imagine working for anyone else. Nearly half (49%) are frustrated by not having enough time. Twenty-four percent of business owners in the Northeast feel the most important commitment they make to their family is taking their calls at work.
- Thirty-eight percent of business owners in the **Northeast** get most excited by living and working by their own rules. Forty-three percent attribute the knowledge of every aspect of their business as the trait that helps them succeed in business. Conversely, being 'too hands on' is the trait that most negatively affects the business of 26% of Northeastern business owners. Twenty-six percent say that they need the most assistance learning how to turn a profit.

Capital Investments

- Fifty-four percent of small businesses in the **Northeast** plan to make capital investments in the next six months. Technology investments lead the category (37%), followed by office equipment purchases (16%), real estate investments (14%), office furnishings (13%), and manufacturing and production equipment (11%).

- Four in ten small businesses in the **Northeast** who have plans for technology investments will consider mid-priced equipment, such as laptops, desktops or printers (41%). Another one in five business owners will consider major infrastructure investments, such as software, services or telephone systems or modestly priced items such as PDAs or smart phones are considered by one in five business owners (20%).

Cash Flow

- Forty-six percent of small businesses in the **Northeast** expect to face cash flow issues in the next six months, down sharply from 53% last fall.
- Top concerns include accounts receivable (13%), the ability to pay bills on time (12%), followed by the ability to track cash flow (11%), having enough cash on hand to win new business (6%), and the ability to meet payroll (4%).

Hiring

- Thirty-two percent of small businesses in the **Northeast** have plans to hire in the next six months, down from 37% in fall 2005. Eighty percent of those with plans to hire say they need to hire to handle an increase in business volume. Other reasons for hiring include the need to handle a growing business (60%), the need for seasonal help (50%), to go after new business ventures (29%), or having finally found the right candidate for a position they have been trying to fill (30%).

Impact of Energy Costs

- More than three-quarters of small businesses in the **Northeast** (83%) say that higher gas and energy cost have had a significant or moderate impact on their business. One third say they reacted by reducing gas and energy use (37%) or by raising prices (34%). As a result of higher gas and energy use three quarters of businesses say they had to pay higher costs for materials and products (76%). Forty-two percent say have changed how they market/sell, and thirty-seven percent lost sales.

South At-a-Glance

Outlook

- Nearly four in ten of small businesses in the **South** (39%) expect their business to grow regardless of the economy.

Attitudes on Business

- Thirty-three percent of business owners in the **South** love what they do and cannot imagine making a living any other way. Sixty seven percent would recommend a friend or family member go into business for themselves. Thirty-four percent feel they are successful if they are able to strike a balance between their career and family. One in three (32%) decided to go into business for themselves because they want to be personally accountable for the success or failure of their ideas. Three in ten (31%) are frustrated by not having enough time. Twenty-four percent of business owners in the South feel the most important commitment they make to their family is getting involved with housework including chores, grocery shopping, homework etc.
- Thirty-seven percent of business owners in the **South** get most excited by living and working by their own rules. Twenty-two percent attribute thinking strategically and being knowledgeable about every detail of their business as the traits that help them succeed in business. Conversely, being ‘too hands on’ is the trait that most negatively affects the business of 28% of business owners. Twenty three percent of business owners in the South need the most assistance learning how to turn a profit.

Capital Investments

- Fifty-six percent of small businesses in the **South** plan to make capital investments in the next six months. Technology investments lead the category at 43%, followed by office equipment purchases at 21%; office furnishings at 17%; real estate investments at 16%; and manufacturing and production equipment at 15%.
- Four in ten small businesses in the **South** who have plans for technology investments will consider mid-priced equipment, such as laptops, desktops or printers (41%). Another three in ten business owners will consider major infrastructure investments, such as software, services or telephone systems. Modestly priced items such as PDAs or smart phones are considered by one in ten business owners (14%).

Cash Flow

- Fifty-one percent of small businesses in the **South** expect to face cash flow issues over the next six months, up from 40% in fall 2005.
- Cash flow concerns include accounts receivable (21%), the ability to pay bills on time (12%), having enough cash on hand to win new business (9%), the ability to track cash flow (6%) and the ability to meet payroll (3%).

Hiring

- Thirty-four percent of small businesses in the **South** have plans to hire in the next six months, down from 35% in fall 2005. Of those hiring, 90% say they need to hire to handle help handle an increase in business volume. Other reasons for hiring include the need for new employees to help their growing business (87%), the need seasonal help (49%), the need to go after new business ventures (43%), and having finally found the right candidate for a position they have been trying to fill (42%).

Impact of Energy Costs

- Three-quarters of small businesses in the **South** (75%) say that higher gas and energy cost have had a significant or moderate impact on their business. Four in ten say they reacted by reducing gas and energy use (42%) or raising prices (33%). As a result of higher gas and energy use three quarters of businesses say they had to pay higher costs for materials and products (71%). Forty-one percent say have changed how they market/sell and twenty-six percent lost sales.

North Central At-a-Glance

Outlook

- One-third of small businesses (38%) in the **North Central** states expect their business to grow regardless of the economy.

Attitudes on Business

- Four in ten (42%) of business owners in the **North Central** region say they love what they do and can't imagine making a living any other way. Two-thirds (71%) would recommend a friend or family member go into business for themselves. Twenty five percent of business owners in the North Central states feel they are successful if they are able to strike a balance between career and family. One-third (32%) decided to go into business for themselves to be personally accountable for the success or failure of their ideas. One in three (32%) are frustrated by not having enough time. Twenty-three percent of

business owners in the North Central states feel the most important commitment they make to their family is carving out specific time to be at home with them.

- Thirty-five percent of business owners in **North Central** states get most excited by living and working by their own rules. Twenty-six percent attribute the knowledge of every aspect of their business as the trait that helps them succeed in business. Conversely, being ‘too hands on’ is the trait that most negatively affects the business of 26% of business owners. Eighteen percent of business owners in the North Central states need the most assistance learning how to cut costs and turn a profit.

Capital Investments

- Half of small businesses in the **North Central** region (51%) plan to make capital investments in the next six months. Technology investments lead the category, 36%, followed by manufacturing and production equipment, 17%; office equipment purchases, 14%; office furnishings, 10% and real estate investments, 7%.
- Half of small businesses in the **North Central** states who have plans for technology investments will consider mid-priced equipment, such as laptops, desktops or printers (53%). Another one in four business owners will consider major infrastructure investments, such as software, services or telephone systems (24%). Modestly priced items such as PDAs or smart phones are considered by less than one in ten business owners (9%).

Cash Flow

- Nearly half (49%) of small businesses in the **North Central** region expect to face cash flow issues in the next six months, on par with 50% reporting cash flow issues last fall.
- Cash flow concerns include accounts receivable (18%), the ability to pay bills on time (13%), having enough cash on hand to win new business (12%), the ability to track cash flow and the ability to meet payroll (each 3%).

Hiring

- Twenty-nine percent of small businesses in **North Central** states have plans to hire in the next six months, down from 37% in fall 2005. Seventy-four percent of those with plans to hire say they’re doing so to help handle their growing business. Other reasons for hiring include needing to increase their business volume (65%), hiring to go after new business ventures (35%), needing seasonal help (31%), or having finally found the right candidate for a position they have been trying to fill (29%).

Impact of Energy Costs

- More than three-quarters of small businesses in the **North Central** region (82%) say that higher gas and energy cost have had a significant or moderate impact on their business. One third say they reacted by reducing gas and energy use (37%) or raising prices (30%). As a result of higher gas and energy use three quarters of businesses say they had to pay higher costs for materials and products (75%). Forty-seven percent say they lost sales and thirty-eight percent changed how they market/sell.

West At-a-Glance

Outlook

- More than half of small businesses in the **West** (54%) expect their business to grow regardless of the economy.

Attitudes on Business

- Thirty one percent of business owners in the **West** love what they do and cannot imagine making a living any other way. Seventy-one percent would recommend a friend or family member go into business for themselves. Twenty nine percent feel they are successful if they are able to strike a balance between their career and family. One-third of business owners (36%) in the West decided to go into business for themselves because they want to be personally accountable for the success or failure of their ideas. Thirty five percent are frustrated by not having enough time. Nineteen percent feel the most important commitment they make to their family is getting involved with housework including chores, grocery shopping and homework.
- Forty-four percent of business owners in the **West** get most excited by living and working by their own rules. Twenty-two percent attribute being knowledgeable about every detail of their business and thinking strategically as the traits that help them succeed in business. Conversely, being 'too hands on' is the trait that most negatively affects the business of 29% of business owners. Fourteen percent of business owners in the West need the most assistance learning how to cut costs.

Capital Investments

- Sixty-three percent of small businesses in the **West** plan to make capital investments in the next six months. Technology investments lead the category (42%), followed by office equipment purchases (22%), manufacturing and production equipment (19%), office furnishings (16%), and real estate investments (13%).
- More than half of small businesses in the **West** who have plans for technology investments will consider mid-priced equipment, such as laptops, desktops or printers (56%). Another one in five business owners will consider major infrastructure investments, such as software, services or telephone systems (20%). Modestly priced items such as PDAs or smart phones are considered by only six percent of business owners.

Cash Flow

- Thirty-eight percent of small businesses in the **West** expect to face cash flow issues over the next six months, down from 60% in fall 2005.
- Cash flow concerns include accounts receivable (15%), having enough cash on hand to win new business (10%) the ability to pay bills on time (7%), and the ability to meet payroll and the ability to track cash flow (both 3%).

Hiring

- Thirty-nine percent of small businesses in the **West** have plans to hire in the next six months, on par compared to 40% in fall 2005. Among those hiring, 88% say they need to hire to handle their growing business. Other reasons for hiring include the need for new employees to help increase business volume (73%), to go after new business ventures (34%), hiring because they have finally found the right candidate for a position they have been trying to fill (33%), and the need for seasonal help (30%).

Impact of Energy Costs

- Three quarters of small businesses in the **West** (78%) say that higher gas and energy cost have had a significant or moderate impact on their business. One third say they reacted by raising prices (34%) or reducing gas and energy use (32%). As a result of higher gas and energy use two thirds of businesses say they had to pay higher costs for materials and products (66%). Twenty-eight percent changed how they market/sell, and one in five (21%) say they lost sales.

Survey Methodology

The OPEN from American Express Small Business Monitor, released each spring and fall, is based on a nationally representative sample of 625 small business owners/managers of companies with fewer than 100 employees. The survey was conducted via telephone by International Communications Research from September 12-September 27, 2006. The poll has a margin of error of $\pm 3.9\%$.

About OPEN from American Express

OPEN is the American Express team dedicated exclusively to the success of small business owners and their companies. The OPEN Team supports business owners with unparalleled 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 OPEN, visit www.OPEN.com, or call 1-800-NOW-OPEN to apply for a Card or loan. Terms and conditions apply.

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