



Contact:	M Booth & Associates	American Express
	Christina Friedkin/Kurt Rossler	Channing Barringer
	212-481-7000	212-640-0512
	Christinaf@mbooth.com	Channing.K.Barringer@aexp.com
	Kurtr@mbooth.com	

**Regional Small Business Outlook**  
**OPEN Small Business Network 2005 Semi-Annual Monitor from American Express**

**Positive outlook is at an all-time high for small businesses, with the majority seeing an improved economy, anticipating new opportunities and expecting their businesses to grow over the next 6 months:**

Northeast	South	North Central	West	Small Business Overall
83%	89%	79%	87%	85%

**Revenue expectations are also high. A majority of small businesses expect this year's revenues to exceed or remain nearly the same as last year's:**

Northeast	South	North Central	West	Small Business Overall
88%	91%	95%	94%	92%

**Small businesses are planning to increase investments in their businesses; firms in the West are the most likely to invest:**

Northeast	South	North Central	West	Small Business Overall
61%	69%	55%	78%	66%

**Small businesses are willing to take some financial risks in order to grow their business; firms in the South are the most likely to take some financial risk:**

Northeast	North Central	South	West	Small Business Overall
59%	54%	72%	62%	63%

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

Northeast	North Central	South	West	Small Business Overall
30%	45%	44%	56%	44%

**Small businesses in the West were most likely to have offered healthcare benefits during the past six months:**

Northeast 44%	North Central 59%	South 57%	West 66%	Small Business Overall 57%
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**Northeast At-a-Glance**

Positive Outlook

- The vast majority -- 83% -- of small businesses in the **Northeast** expect their business to grow, and respondents see the economy improving and expanding opportunities for their businesses.

Capital Investments

- Sixty-one percent of small businesses in the **Northeast** plan to make capital investments in the next six months. Technology investments lead the category at 48%, followed by office equipment at 21%; manufacturing and production equipment at 17%; and office furnishings and real estate investments at 10%.

Business Priorities

- Thirty-six percent of small businesses in the **Northeast** cite growing their business as their single most important priority over the next six months. Other priorities include keeping/maintaining current business and sources of revenue, 31%; managing cash flow issues, 19%; cutting expenses, 6%; making the company more innovative, 3%; and addressing government paperwork and regulation, 2%.

Cash Flow

- Fifty-four percent of small businesses in the **Northeast** expect to face cash flow issues in the next six months, down from 59% in March 2004, and 58% in March 2003.
- Top concerns include accounts receivable (20%), followed by the ability to pay bills on time (16%), having enough cash on hand to win new business (8%), the ability to track cash flow (10%), and the ability to meet payroll (0.2%).

Hiring

- Thirty percent of small businesses in the **Northeast** have plans to hire in the next six months, down from 42% in March 2004, and 31% in March 2003. Eighty-eight percent of those with plans to hire say they need to hire to help increase business volume. Other reasons for hiring include the need to handle growing business, 64%; the need for seasonal help for the summer, 53%; respondents are going after new business ventures, 35%; or they have finally found the right candidate for a position they have been trying to fill, 25%.

Healthcare

- Forty-four percent of small businesses in the **Northeast** offered healthcare benefits over the last six months, down from 51% in March 2004, and 57% in March 2003. In response to rising healthcare costs, 20% of small businesses assumed the additional cost of coverage, 15% shopped for a new carrier, 5% required employees to pay a larger share, 2% reduced coverage and 1% eliminated coverage.

## North Central At-a-Glance

### Positive Outlook

- More than three out of four small businesses (79%) in the **North Central** states expect their business to grow and see the economy improving and expanding opportunities for their business.

### Capital Investments

- Fifty-five percent of small businesses in the **North Central** states plan to make capital investments in the next six months. Technology investments lead the category, 39%, followed by office equipment, 17%; manufacturing and production equipment and real estate investments, at 12% each; and office furnishings, 11%.

### Business Priorities

- Forty-one percent of small businesses in the **North Central** states cite growing their business as their single most important priority over the next six months. Other priorities include keeping/maintaining current business and sources of revenue, 29%; managing cash flow issues, 7%; employee management, 6%; making the company more innovative, 5%; cutting expenses, 4%; and addressing government paperwork and regulation, 3%.

### Cash Flow

- Just under half, 49%, of small businesses in the **North Central** states expect to face cash flow issues in the next six months, down from 55% in March 2004, and 66% in March 2003.
- Cash flow concerns include the ability to pay bills on time (14%), accounts receivable (14%), having enough cash on hand to win new business (14%), the ability to track cash flow (5%) and the ability to meet payroll (2%).

### Hiring

- Forty-five percent of small businesses in the **North Central** states have plans to hire in the next six months, down from 55% in March 2004, and up from 37% in March 2003. Sixty-eight percent of those with plans to hire say they're doing so to help handle their growing business. Other reasons for hiring include increasing their business volume, 63%; going after new business ventures, 37%; needing seasonal help for the summer, 37%; or finally locating the right candidate for a position they have been trying to fill, 34%.

### Healthcare

- Fifty-nine percent of small business owners in the **North Central** states offered healthcare over the last six months, up from 50% in October 2003, and 57% in October 2002. In response to rising healthcare costs, 20% assumed the additional cost of coverage, 20% shopped for a new carrier, 8% required employees to pay a larger share, 5% reduced coverage, and 2% eliminated coverage.

## South At-a-Glance

### Positive Outlook

- The overwhelming majority of small businesses in the **South** (89%) expect their business to grow, and respondents see the economy improving and expanding opportunities for their businesses.

### Capital Investments

- Sixty-nine percent of small businesses in the **South** plan to make capital investments in the next six months. Technology investments lead the category at 50%, followed by office equipment at 29%; office furnishings at 18%; manufacturing and production equipment and real estate investments each at 17%.

### Business Priorities

- Forty-five percent of small businesses in the **South** cite growing their business as their single most important priority over the next six months. Other priorities include keeping/maintaining current business and sources of revenue, 21%; managing cash flow issues, 12%; making the company more innovative, 8%; employee management, 7%; cutting expenses and addressing government paperwork and regulation, each at 3%.

### Cash Flow

- Fifty-one percent of small businesses in the **South** expect to face cash flow issues over the next six months, down from 65% in March 2004, and comparable to the 52% reported in March 2003.
- Cash flow concerns include having enough cash on hand to win new business (16%), accounts receivable (12%), the ability to pay bills on time (11%), the ability to track cash flow (7%) and the ability to meet payroll (5%).

### Hiring

- Forty-four percent of small businesses in the **South** have plans to hire in the next six months, up from 43% in March 2004, and 35% in March 2003. Of those hiring, 83% say they need to hire to handle their growing business, 76% need new employees to help increase business volume, 40% are starting a new venture, 34% need seasonal help for the summer, and 26% finally found the right candidate for a position they have been trying to fill.

### Healthcare

- Fifty-seven percent of small businesses in the **South** offered healthcare benefits over the last six months, up from 51% in March 2004, and 48% in March 2003. In response to rising healthcare costs, 19% assumed the additional cost of coverage, 19% shopped for a new carrier, 5% required employees to pay a larger share, 3% reduced coverage and 2% eliminated coverage.

## **West At-a-Glance**

### Positive Outlook

- The vast majority of small businesses in the **West** (87%) expect their business to grow, and respondents see the economy improving and expanding opportunities for their businesses.

### Capital Investments

- Seventy-eight percent of small businesses in the **West** plan to make capital investments in the next six months. Technology investments lead the category at 53%, followed by office equipment at 37%; office furnishings at 31%; manufacturing and production equipment at 15% and real estate investments at 14%.

### Business Priorities

- Fifty-one percent of small businesses in the **West** cite growing their business as their single most important priority over the next six months. Other priorities include keeping/maintaining

current business and sources of revenue, 23%; customer service and managing cash flow issues, each at 6%; employee management, 4%; making the company more innovative, 5%; cutting expenses, 2%; and addressing government paperwork and regulation, 2%.

### Cash Flow

- Forty-seven percent of small businesses in the **West** expect to face cash flow issues over the next six months, down from 56% in March 2004, and 55% in March 2003.
- Cash flow concerns include having enough cash on hand to win new business (16%), accounts receivable (13%), the ability to track cash flow (11%) the ability to pay bills on time (6%), and the ability to meet payroll (0.3%).

### Hiring

- Fifty-six percent of small businesses in the **West** have plans to hire in the next six months, up from 45% in March 2004, and 35% in March 2003. Among those hiring, 80% say they need to hire to handle their growing business, 78% need new employees to help increase business volume, 43% need seasonal help for the summer, 41% are starting a new venture and 15% have finally found the right candidate for a position they have been trying to fill.

### Healthcare

- Sixty-six percent of small businesses in the **West** offered healthcare benefits over the last six months, up from 54% in March 2004, and March 2003. In response to rising healthcare costs, 16% assumed the additional cost of coverage, 18% shopped for a new carrier, 3% required employees to pay a larger share and 4% reduced coverage.

### **Survey Methodology**

The OPEN Small Business Network Semi-Annual Monitor, released each spring and fall, is based on a nationally representative sample of 627 small business owners/managers of companies with fewer than 100 employees. The survey was conducted via telephone by International Communications Research (ICR) from February 9- February 22, 2005. The poll has a margin of error of  $\pm 3.9\%$ .

### **About OPEN: The Small Business Network from American Express**

OPEN: The Small Business Network is a division of American Express that offers small business owners a wide range of tools, services and savings designed to meet their evolving needs, including charge and credit cards, convenient access to working capital and credit information, enhanced online account management capabilities and savings on business services from an enhanced lineup of partners. To obtain more information about the OPEN Network, visit [OPEN.americanexpress.com](http://OPEN.americanexpress.com) or call 1-800-NOW-OPEN to apply for a card or loan.

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