

ECONOMIC OUTLOOK

Confidence down at small firms, index shows

Weak sales are No. 1 concern among executives, says private survey taken in February

Confidence among U.S. small businesses fell in February as executives grew increasingly concerned that the economy and sales will not improve in coming months, a private survey found.

The National Federation of Independent Business's optimism index decreased to 88 last month from 89.3 in January, the Washington-based group said.

Expectations for business conditions six months from now dropped to the lowest level since last March.

"The biggest concern continued to be a shortage of customers," William Dunkelberg, chief economist at the NFIB, said in a prepared statement.

Thirty-four percent of respondents cited "poor sales" as their top business concern, and the group's index for the demand outlook dropped to zero, erasing a positive reading in January, the report showed.

While the pace of job cuts slowed, fewer than half of those surveyed said

they boosted investments in their companies over the past six months.

"A revival of capital spending will require a significantly improved business outlook and some support from reluctant customers," Dunkelberg said. Employment "gains will be painfully slow with timid consumer spending, especially in the service sector."

The group's gauge of future employment held at minus 1 for a second month, signaling most companies anticipate cutting staff.

Nonetheless, the report also showed a "significant shift" in job cuts at small companies last month. The payroll index improved to minus 0.13 from readings in excess of minus 0.5 for each of the past 14 months, signaling payroll reductions abated.

A measure of job openings, which Dunkelberg called "a strong predictor of the unemployment rate," climbed by one point to a net 11 percent, the highest level since June. The increase indicates joblessness "is likely to fall," he said.

The NFIB report was based on 799 survey responses through Feb. 28.

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