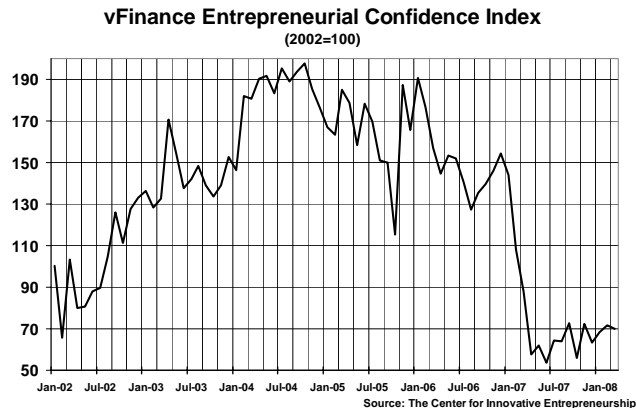


## vFinance Entrepreneurial Confidence Index: VECI

March 2008



### Recent Index Performance:

Month	Index Level	Monthly % Change	Year Ago % Change
Oct-07	55.6	-22.9%	-60.0%
Nov-07	72.5	30.4%	-50.2%
Dec-07	63.4	-12.6%	-58.1%
Jan-08	68.4	7.9%	-52.1%
Feb-08	71.7	4.8%	-32.9%
<b>Mar-08</b>	<b>70.0</b>	<b>-2.4%</b>	<b>-20.2%</b>

### Focus of the Month:

**Financial Opportunism?** March saw one of the largest financial collapses in history with the forced merger of Bear Stearns and JP Morgan Chase. As this was occurring, entrepreneurs became more interested in seeking funding for financial businesses, perhaps seeing an opportunity in the financial uncertainty.

### Summary:

The vFinance Entrepreneurial Confidence Index (VECI) declined slightly in March 2008, continuing the saw toothed up and down performance of the past year. The VECI is gradually trending higher after reaching a low point in mid 2007. However, the low level of the index is further evidence that the economy is weakening and may already be in recession as indicated by the decline in employment since the end of 2007.

Economic data released over the past month suggest strongly that the US entered a recession in the fourth quarter of 2007. Employment, income, production and sales are all currently declining, suggesting that we are in a recession. This places the decline of the VECI in economic context and suggests that the sharp drop in early 2007 may have been a first sign of impending economic decline. The trend in the economy and the VECI will be monitored closely to see if this Index leads general economic activity.

**Highest level of interest** (Share of total responses):

- Health Products and Services (9.7%)
- Diversified Services (8.5%)
- Real Estate (8.5%)

**Lowest level of interest** (Share of total responses):

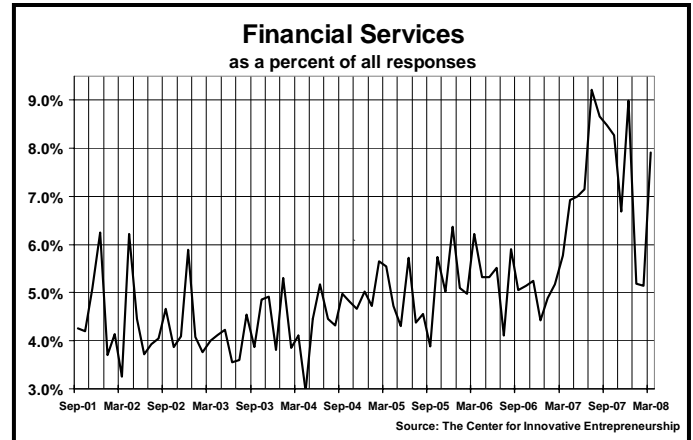
- Utilities (0.6%)
- Chemicals (0.4%)
- Conglomerates (0.0%)

March 2008	Rising	Falling
<b>Sectors</b>	<ul style="list-style-type: none"> <li>• Financial Services</li> <li>• Health Products and Services</li> <li>• Leisure</li> </ul>	<ul style="list-style-type: none"> <li>• Transportation</li> <li>• Specialty Retail</li> <li>• Real Estate</li> </ul>
<b>Sub-Sectors</b>	<ul style="list-style-type: none"> <li>• Specialized Health Services</li> <li>• Restaurants</li> <li>• Miscellaneous Entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Real Estate Development</li> <li>• Property Investment and Management</li> <li>• Miscellaneous Specialty Retail</li> </ul>



**Focus of the Month:** *Financial Opportunism?*

- ✓ In summer 2007, the financial crisis began to emerge as the sub prime mortgage market unraveled and the securities written against these mortgages plunged in value. The crisis is now nine months old and in March 2008, the securities firm Bear Stearns nearly went bankrupt and was forced to merge with JP Morgan Chase.
- ✓ While the credit crunch was worsening the interest among entrepreneurs in obtaining financing for a business in financial services rose dramatically. From 2001 to early 2007, interest in financial services never rose above 6.7% of all inquiries, but starting in March of last year interest climbed sharply and it has remained at high levels throughout the past year, with the exception of January and February of 2008.
- ✓ In March there was a sharp increase in interest in several sub sectors including Venture Capital, Miscellaneous Investment Services and Investment Firms. These increases suggest that some entrepreneurs may be looking at the current credit crisis as an opportunity to step in and replace the ailing large firms.
- ✓ Overall, the jump in financial services shows the resiliency of the economy. Even as major firms are experiencing problems, entrepreneurs are aware that there is still a need for capital, especially among small start ups, and are seeking to profit by filling that need.



**The VECI is published on the second Tuesday of every month.**



## **The VECI and The Center for Innovative Entrepreneurship**

The VECI is a measure of the interest entrepreneurs are showing in 28 sectors and 289 sub-sectors. That level of interest represents the confidence of these entrepreneurs in the business opportunities they perceive. The survey is conducted through [www.vfinance.com](http://www.vfinance.com), the world's leading web site for entrepreneurial financial information.

The Center for Innovative Entrepreneurship: **The Center for Innovative Entrepreneurship (CIE)** ([www.C4IE.org](http://www.C4IE.org)) was established in November 2004 to measure the impact innovative entrepreneurship has on the global economy. Innovative entrepreneurship combines the act of creating a new product or process (innovation) with the act of starting a business to exploit the innovation (entrepreneurship). It is an activity that tends to be transformational in its macro economic impact. CIE serves entrepreneurs, investors, economists, and researchers through the Center's education, research, and communications initiatives.

For more information on the vFinance Entrepreneurial Confidence Index, please see the CIE Research Reports section at [www.C4IE.com](http://www.C4IE.com):

**The Center for Innovative Entrepreneurship  
Ken McCarthy, Economic Consultant**

### **DISCLOSURE INFORMATION**

*The economist who prepared this report and whose name appears in the front cover of this report certifies that the views expressed in this macroeconomic research report accurately reflect such economist's personal views about the overall economy and the subject industries and sectors mentioned in the report. The economist responsible for the preparation of the report receives payment from The Center for Innovative Entrepreneurship (CIE) to prepare the reports, however, the economist's compensation was not and will not be directly or indirectly related to the specific recommendations or views published in this report.*

*The Center for Innovative Entrepreneurship uses the web site [www.vfinance.com](http://www.vfinance.com), owned by vFinance, Inc. to conduct research about entrepreneurs and investors in start-up companies.*

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