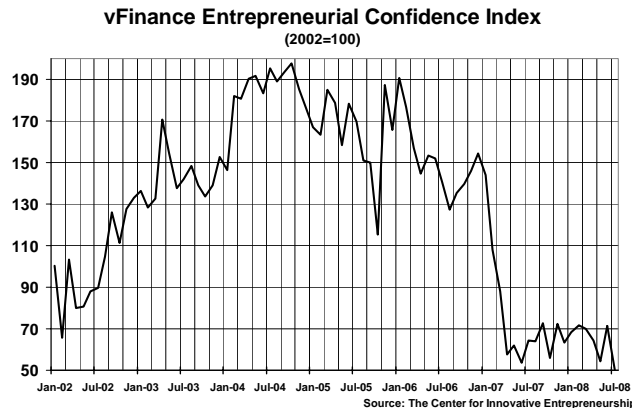


## vFinance Entrepreneurial Confidence Index: VECI

July 2008



### Recent Index Performance:

Month	Index Level	Monthly % Change	Year Ago % Change
Feb-08	71.7	4.8%	-32.9%
Mar-08	70.0	-2.4%	-20.2%
Apr-08	64.2	-8.2%	11.7%
May-08	54.2	-15.6%	-12.0%
Jun-08	71.3	31.6%	33.5%
<b>Jul-08</b>	<b>50.2</b>	<b>-29.6%</b>	<b>-21.5%</b>

### Focus of the Month:

**Rising Diversified: Recession Indicator?** The share of all responses from the various industries in the Diversified Services sector has increased sharply in recent months. In the past, high levels of interest in this sector have occurred during economic downturns.

### Summary:

The vFinance Entrepreneurial Confidence Index (VECI) fell sharply in July 2008, Giving back all of its June increase and dropping to the lowest level ever recorded. The Index remains mired in the range of 50 to 70 that it has remained in since the first half of 2007 suggesting that there has been no growth in the number of business owners seeking capital in more than a year.

The continuing low level of entrepreneurial confidence suggests that the current bout of economic weakness may turn into something worse in the months ahead. As we noted last month, the VECI appears to lead employment growth, and the current weakness indicates that employment will continue to decline for the next several months. In addition, the high level of oil prices may be causing entrepreneurs to be more cautious about the outlook and therefore more reluctant to seek financing.

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

- Health Products and Services (11.3%)
- Diversified Services (11.1%)
- Real Estate (9.4%)

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

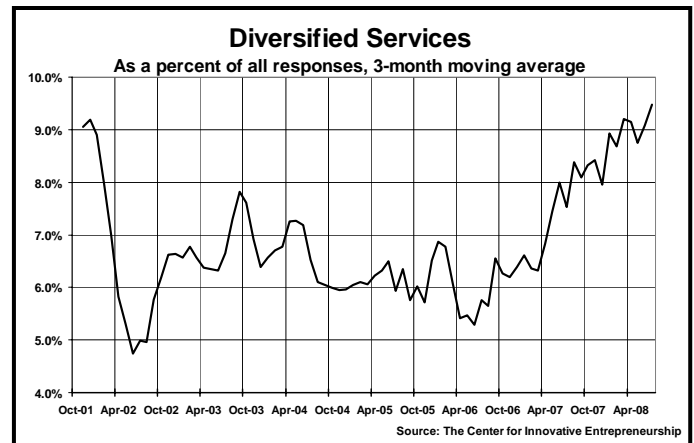
- Metals & Mining (0.5%)
- Conglomerates (0.3%)
- Computer Hardware (0.0%)

July 2008	Rising	Falling
<b>Sectors</b>	<ul style="list-style-type: none"> <li>• Health Products and Services</li> <li>• Diversified Services</li> <li>• Specialty Retail</li> </ul>	<ul style="list-style-type: none"> <li>• Food</li> <li>• Leisure</li> <li>• Computer Software and Services</li> </ul>
<b>Sub-Sectors</b>	<ul style="list-style-type: none"> <li>• Personal Services</li> <li>• Sporting Goods Retailing</li> <li>• Logistics &amp; Other Transportation Services</li> </ul>	<ul style="list-style-type: none"> <li>• Miscellaneous Food Products</li> <li>• Miscellaneous Entertainment</li> <li>• Internet &amp; Intranet Software &amp; Services</li> </ul>

**Focus of the Month:** *Diversified Services and Recessions.*

✓ Since reaching a bottom in mid-2006 interest in the Diversified Services sector has been rising. In July it reached an all time high accounting for 11.1% of all business owners seeking capital at vFinance.com.

✓ Much of the climb in interest in the Diversified Services sector has coincided with the slowdown in the general economy which first emerged with the credit crisis in the second half of 2007. As economic conditions have worsened over the past six months, so has the share of all responses accounted for by Diversified Services. This increase may be related to general economic conditions. The last time interest in this sector was this high was at the end of the last recession in 2001.



✓ The Diversified Services sector is a range of industries that are generally business oriented services including such industries as accounting, management consulting and personal services. Since many of these are services that individuals can perform as free lance workers, it is likely that some of the interest in this sector is from individuals who have been laid off and are seeking to become free lance consultants.

✓ The performance of this sector suggests that the US economy is in a recession and that the increasing number of layoffs is leading more individuals to seek work as independent consultants, a finding that is consistent with the July increase in the number of self employed workers to its highest level in almost a year.

**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.*

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