

Companies See Growth in Sales and Margins as Unemployment Drops

By Mary Ellen Biery, February 3, 2012

January's jobs report showed widespread employment growth in the private sector, a trend that's consistent with improved revenue and profit trends that financial information company Sageworks Inc. has seen among private companies over the past 18 months.

The Labor Department said U.S. unemployment fell to 8.3 percent in January from 8.5 percent in December and 9.1 percent a year earlier as 243,000 jobs were added. The largest employment gains were in professional business services such as employment services and accounting, in manufacturing, in health care and in leisure industries such as restaurants and bars.

"The past several recent jobs reports seem to indicate that private companies are beginning to look toward the future and consider hiring," said Sageworks CEO Brian Hamilton. "This is an optimistic jobs report, especially in light of very poor jobs reports for almost 3 years. We don't know if the positive jobs trend will continue, but it is definitely a good trend. "

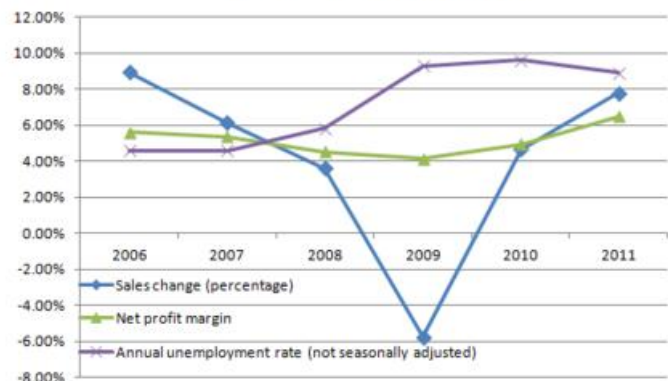
The 27 million privately held companies in the U.S. account for 80 percent of new jobs and up to 70 percent of GDP. Hamilton said that as they grow their revenues over a longer period of time, they will begin to hire. "This has been historically true and, in the absence of a significant and material change, we expect this to be true in the future," he added.

A Sageworks analysis of financial statements from private companies has found that those companies saw average sales growth of nearly 8 percent in 2011, compared with nearly 5 percent growth in 2010 and an almost 6 percent decline in 2009. Profitability has improved too, Sageworks data shows. Adjusted net profit margins were at a 10-year high average of about 6.5 percent in 2011, compared with nearly 5 percent in 2010. Sageworks has also previously noted that privately owned manufacturers' sales outpaced the U.S. economy overall in 2011, and that residential construction even ended 2011 on a positive note.

Net profit margin has been adjusted to exclude taxes and owner compensation in excess of their market-rate salaries. These adjustments are commonly made to private company financials in order to provide a more accurate picture of the companies' operational performance.

John Silvia, Wells Fargo Securities LLC's chief economist said Friday's reported job gains, including 21,000 jobs in construction, were helped by warmer than usual weather in January. But he also noted that total hours worked moved higher by 0.2 percent in the private sector, including a 1.2 percent increase in manufacturing. A

Private companies' sales, profit margins vs. U.S. unemployment



Source: **sageworks**

one-tenth increase in average weekly hours worked is equivalent to an additional 330,000 jobs, based on an average work week of 40 hours, he said in a research report.

"Over the past year, we have witnessed broad gains in employment in a number of sectors, while unemployment rates for many occupations have declined," Silvia said. "This is a good sign for growth in the economy going forward."

Diane Swonk, Mesirow Financial's economist, said "robust" gains in temporary employment were particularly encouraging. "They tend to lead to permanent hires and suggest that employers are beginning to redeploy the cash they have hoarded, and finally hire," she said on her blog.

For the full story featuring Sageworks' CEO Mary Ellen Biery visit [Yahoo! - Companies See Growth in Sales and Margins as Unemployment Drops](#).