



NFIB SMALL BUSINESS ECONOMIC TRENDS

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August 2010

Based on a Survey of Small and Independent Business Owners

SMALL BUSINESS OPTIMISM INDEX COMPONENTS

| Index Component | Seasonally Adjusted Level | Change From Last Month | Contribution Index Change |
|-------------------------------|---------------------------|------------------------|---------------------------|
| Plans to Increase Employment | 2% | 1 | * |
| Plans to Make Capital Outlays | 18% | -1 | * |
| Plans to Increase Inventories | -4% | -1 | * |
| Expect Economy to Improve | -15% | -9 | * |
| Expect Real Sales Higher | -4% | 1 | * |
| Current Inventory | 0% | 1 | * |
| Current Job Openings | 10% | 1 | * |
| Expected Credit Conditions | -14% | -1 | * |
| Now a Good Time to Expand | 5% | -1 | * |
| Earnings Trend | -33% | -1 | * |
| Total Change | | -10 | * |

Column 1 is the current reading; column 2 is the change from the prior month; column 3 the percent of the total change accounted for by each component; * is under 1 percent and not a meaningful calculation.

NFIB SMALL BUSINESS ECONOMIC TRENDS

The NFIB Research Foundation has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986. The sample is drawn from the membership files of the National Federation of Independent Business (NFIB). Each was mailed a questionnaire and one reminder. Subscriptions for twelve monthly SBET issues are \$250. Historical and unadjusted data are available, along with a copy of the questionnaire, from the NFIB Research Foundation. You may reproduce Small Business Economic Trends items if you cite the publication name and date and note it is a copyright of the NFIB Research Foundation. © NFIB Research Foundation. ISBS #0940791-24-2. Chief Economist William C. Dunkelberg and Policy Analyst Holly Wade are responsible for the report.

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SUMMARY

OPTIMISM INDEX

The Index of Small Business Optimism lost 0.9 points in July following a sharp decline in June. The persistence of Index readings below 90 is unprecedented in survey history. The performance of the economy is mediocre at best, given the extent of the decline over the past two years. Pent up demand should be immense but it is not triggering a rapid pickup in economic activity. Ninety (90) percent of the decline this month resulted from deterioration in the outlook for business conditions in the next six months. Owners have no confidence that economic policies will “fix” the economy.

LABOR MARKETS

Ten (10) percent (seasonally adjusted) reported unfilled job openings, up one point from June but historically very weak. Over the next three months, nine percent plan to increase employment (down one point), and 10 percent plan to reduce their workforce (up two points), yielding a seasonally adjusted net two percent of owners planning to create new jobs, up one point from June and positive for the third time in 22 months.

CAPITAL SPENDING

The frequency of reported capital outlays over the past six months fell one point to 45 percent of all firms, one point above the 35 year record low reached most recently in December 2009. The percent of owners planning to make capital expenditures over the next few months fell one point to 18 percent, two points above the 35 year record low. Five percent characterized the current period as a good time to expand facilities, down one point. But a net negative 15 percent expect business conditions to improve over the next six months, down nine points from June and 23 points from May.

INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past three months lost one point, falling to a net negative 16 percent, 18 points better than June 2009 but indicative of very weak customer activity. Widespread price cutting continued to contribute to reports of lower nominal sales. The net percent of owners expecting real sales gained a point over June, rising to a net negative four percent of all owners (seasonally adjusted), quite dismal. Small business owners continued to liquidate inventories and weak sales trends gave little reason to order new stock. A net negative 19 percent of all owners reported gains in inventories (more firms cut stocks than added to them, seasonally adjusted), two points better than June but still a very weak number. Inventories had been built in the expansion to satisfy the spending of a consumer that was saving virtually nothing.

This survey was conducted in July 2010. A sample of 10,799 small-business owners/members was drawn. Two thousand twenty-four (2029) usable responses were received – a response rate of 19 percent.



SUMMARY

INFLATION

The weak economy continued to put downward pressure on prices. Twelve (12) percent of the owners (down one point) reported raising average selling prices, and 24 percent reported average price reductions (down three points). Seasonally adjusted, the net percent of owners raising prices was a negative 12 percent, a two point increase in the net percent raising prices. Plans to raise prices fell one point to a net seasonally adjusted 10 percent of owners. On the cost side, three percent of owners cited inflation as their number one problem (e.g. costs coming in the “back door” of the business) and only four percent cited the cost of labor.

PROFITS AND WAGES

Reports of positive profit trends worsened by a point in July, registering a net negative 33 percentage points, 29 points worse than the best expansion reading reached in 2005. The persistence of this imbalance is bad news for the small business community. Profits are important for the support of capital spending and expansion. Not seasonally adjusted, 18 percent reported profits higher (up two points), but 45 percent reported profits falling (down two points). Owners continued hold the line on compensation, with eight percent reporting reduced worker compensation and 12 percent reporting gains. Seasonally adjusted, a net three percent reported raising worker compensation, only five points better than February’s record low reading of negative two percent. Labor costs are still under control, one of the major factors affecting inflation pressures. In past recovery periods, compensation improved at a much faster pace than we have experienced in this recovery period.

CREDIT MARKETS

Regular borrowing gained three points from last months record low to 32 percent accessing capital markets at least once a quarter. A net 13 percent reported loans harder to get than in their last attempt, unchanged from June. Overall, 91 percent of the owners reported all their credit needs met or they did not want to borrow, up one point. Credit may be harder to get compared to the bubble period (as it should be) and is always harder to arrange in a recession. But credit availability does not appear to be the cause of slow growth as many allege. Four percent of the owners reported “finance” as their top business problem, down two points. Pre-1983, as many as 37 percent cited financing and interest rates as their top problem. What businesses need are customers, giving them a reason to hire and make capital expenditures and borrow to support those activities. Twenty-nine (29) percent cite weak sales as their top business problem. The percent of owners reporting higher interest rates on their most recent loan was six percent, while three percent reported lower rates. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted net negative 14 percent (more owners expect that it will be “harder” to arrange financing), one point worse than June.



COMMENTARY

Seventy-three (73) percent of the owners report that the current period is not a good time to expand. Of those, 66 percent cite the weak economy as the main reason, but 18 percent cite the “political climate” as the source of uncertainty. This elevated level of concern has prevailed since January 2008 when Congress began debating the “stimulus” and other possible actions to deal with the economy and the government changed hands. The expiration of the Bush tax program and the implementation of the health care bill represent the two largest tax increases in modern history. Add to that serious talk of a VAT and passing cap and trade. Nothing here to create optimism about the future for business owners or consumers. Top that off with government borrowing of \$1.8 trillion last year and \$1.5 trillion this year and on into the future, it is no surprise that owners are fearful and pessimistic.

What’s missing from the “debate” is logic. Policies should not violate common sense and logic, if they do, they are misleading and disguising a hidden agenda. Arguing that more government spending and taxes are needed to re-establish optimism, confidence and growth doesn’t meet the common sense test. Saving bankrupt companies to preserve union jobs doesn’t make sense either. The list of these “policy inconsistencies” is long.

Bottom line, owners remain pessimistic and nothing is happening in Washington to provide encouragement. Confidence is lost. At least the “real variables” (hiring, capital spending and inventory investment) did not deteriorate substantially in July. The damage to the Optimism Index was done by expectations for business conditions for the second half – owners predict that the economy will not improve appreciably, at least on Main Street. Big banks and big manufacturers may be doing well, but the small firms are not. If this doesn’t change soon, the success of the large firms will be imperiled as well.

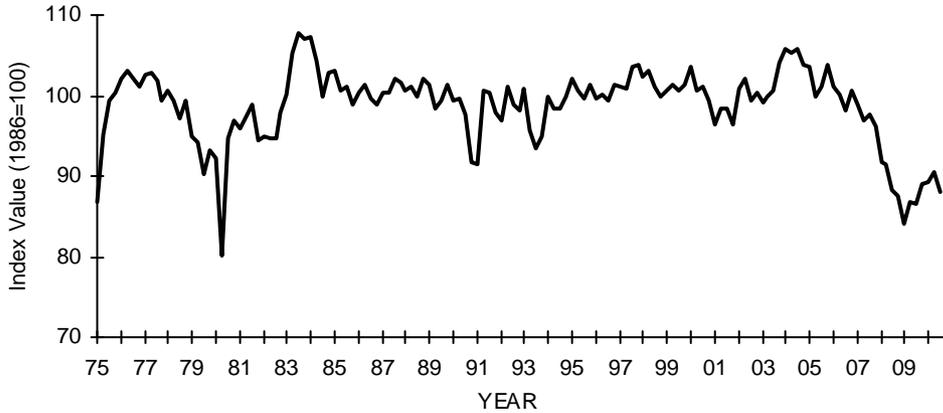
Inflation is clearly not a problem, more firms are still cutting prices than raising them and credit is not an issue for most firms. There are problems for some firms whose sales have been impaired by the abrupt reduction in consumer spending that occurred in 2008Q4 that has not reversed. The saving rate is over six percent, good for the long haul but tough for firms that became accustomed to a “zero” savings rate supported by unsustainable home price appreciation and the borrowing that supported. But most “good” borrowers are on the sidelines, still waiting for a reason to seek a loan and expand their businesses.



OVERVIEW - SMALL BUSINESS OPTIMISM

OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)



OPTIMISM INDEX

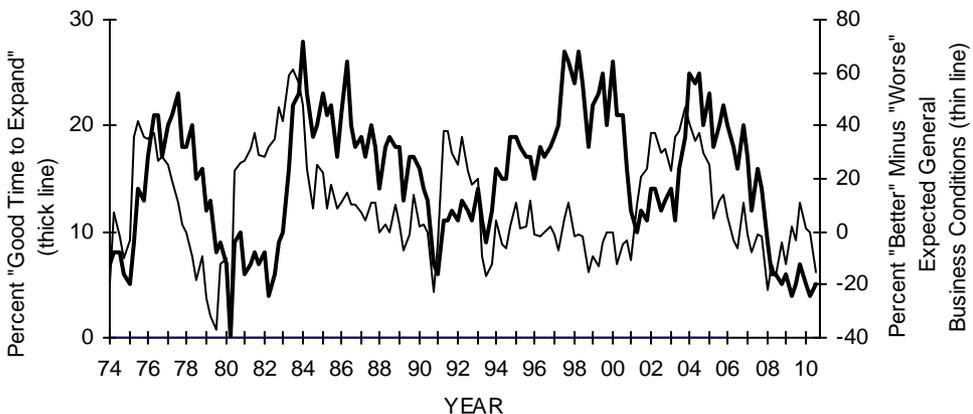
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2005 | 103.7 | 103.7 | 102.5 | 99.8 | 100.8 | 100.8 | 101.1 | 100.9 | 100.0 | 103.7 | 101.2 | 101.4 |
| 2006 | 101.1 | 101.5 | 98.0 | 100.1 | 98.5 | 96.7 | 98.1 | 95.9 | 99.4 | 100.7 | 99.7 | 96.5 |
| 2007 | 98.9 | 98.2 | 97.3 | 96.8 | 97.2 | 96.0 | 97.6 | 96.3 | 97.3 | 96.2 | 94.4 | 94.6 |
| 2008 | 91.8 | 92.9 | 89.6 | 91.5 | 89.3 | 89.2 | 88.2 | 91.1 | 92.9 | 87.5 | 87.8 | 85.2 |
| 2009 | 84.1 | 82.6 | 81.0 | 86.8 | 88.9 | 87.8 | 86.5 | 88.6 | 88.8 | 89.1 | 88.3 | 88.0 |
| 2010 | 89.3 | 88.0 | 86.8 | 90.6 | 92.2 | 89.0 | 88.1 | | | | | |

SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January Quarter 1974 to July Quarter 2010
(Seasonally Adjusted)



SMALL BUSINESS OUTLOOK (CONTINUED)

OUTLOOK FOR EXPANSION

Percent Next Three Months "Good Time to Expand"
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 23 | 24 | 19 | 18 | 18 | 22 | 20 | 21 | 19 | 22 | 20 | 21 |
| 2006 | 20 | 20 | 19 | 18 | 18 | 13 | 16 | 13 | 18 | 20 | 17 | 17 |
| 2007 | 17 | 18 | 12 | 12 | 12 | 13 | 16 | 12 | 14 | 14 | 13 | 14 |
| 2008 | 9 | 8 | 5 | 6 | 4 | 4 | 6 | 6 | 11 | 5 | 7 | 7 |
| 2009 | 6 | 3 | 1 | 4 | 5 | 4 | 5 | 5 | 9 | 7 | 8 | 7 |
| 2010 | 5 | 4 | 2 | 4 | 5 | 6 | 5 | | | | | |

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
July 2010

| Reason | Good Time | Not Good Time | Uncertain |
|----------------------------------|-----------|---------------|-----------|
| Economic Conditions | 2 | 48 | 13 |
| Sales Prospects | 1 | 5 | 1 |
| Fin. & Interest Rates | 1 | 3 | 1 |
| Cost of Expansion | 0 | 2 | 2 |
| Political Climate | 0 | 13 | 3 |
| Other/Not Available | 1 | 2 | 0 |

OUTLOOK FOR GENERAL BUSINESS CONDITIONS

Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 25 | 20 | 16 | 5 | 5 | 16 | 12 | 7 | 3 | 14 | 11 | 37 |
| 2006 | 6 | 3 | -5 | -3 | -10 | -8 | -6 | -8 | 2 | 11 | 11 | 12 |
| 2007 | -1 | -2 | -7 | -8 | -3 | -5 | -1 | 0 | 2 | -2 | -10 | -4 |
| 2008 | -22 | -9 | -23 | -12 | -12 | -19 | -17 | 4 | 14 | -4 | -2 | -13 |
| 2009 | -12 | -21 | -22 | 2 | 12 | 7 | -3 | 10 | 8 | 11 | 3 | 2 |
| 2010 | 1 | -9 | -8 | 0 | 8 | -6 | -15 | | | | | |



SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January Quarter 1974 to July Quarter 2010
(Seasonally Adjusted)



ACTUAL EARNINGS CHANGES

Net Percent (“Higher” Minus “Lower”) Last Three Months
Compared to Prior Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | -12 | -11 | -10 | -15 | -9 | -13 | -9 | -14 | -14 | -4 | -16 | -15 |
| 2006 | -16 | -15 | -12 | -13 | -11 | 11 | -16 | -19 | -8 | -14 | -18 | -15 |
| 2007 | -21 | -19 | -15 | -19 | -15 | -18 | -17 | -22 | -20 | -18 | -25 | -20 |
| 2008 | -27 | -25 | -33 | -28 | -28 | -33 | -37 | -30 | -35 | -35 | -38 | -42 |
| 2009 | -47 | -44 | -46 | -43 | -43 | -42 | -45 | -40 | -40 | -40 | -43 | -43 |
| 2010 | -42 | -39 | -43 | -31 | -28 | -32 | -33 | | | | | |

MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
July 2010

| Reason | Current Month | One Year Ago | Two Years Ago |
|------------------------------|---------------|--------------|---------------|
| Sales Volume | 25 | 33 | 19 |
| Increased Costs* | 10 | 9 | 21 |
| Cut Selling Prices | 3 | 4 | 4 |
| Usual Seasonal Change | 3 | 3 | 2 |
| Other | 4 | 4 | 2 |

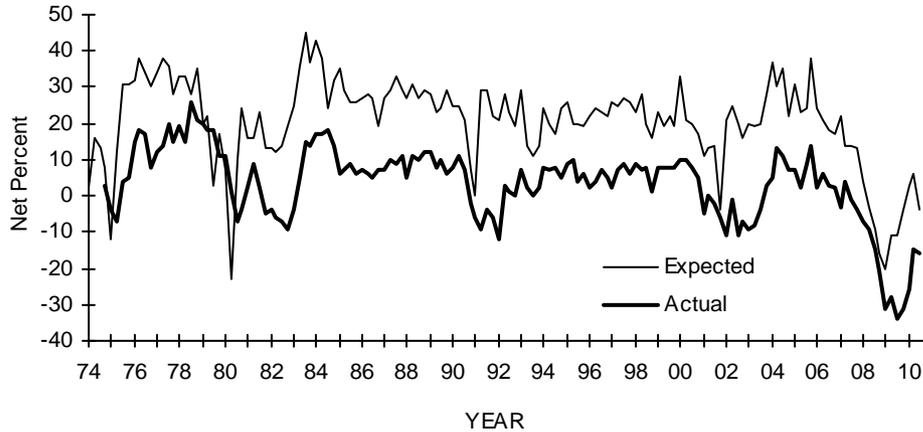
* Increased costs include labor, materials, finance, taxes, and regulatory costs.



SMALL BUSINESS SALES

SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)
January 1974 to July 2010 (Seasonally Adjusted)



ACTUAL SALES CHANGES

Net Percent (“Higher” Minus “Lower”) Last Three Months
Compared to Prior Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 7 | 5 | 12 | 2 | 6 | 4 | 9 | 6 | 5 | 14 | 4 | 8 |
| 2006 | 2 | 6 | 5 | 6 | 11 | 6 | 3 | 2 | 5 | 2 | 0 | 3 |
| 2007 | -3 | -1 | 0 | 4 | 1 | -4 | -1 | -4 | -4 | -4 | -3 | 1 |
| 2008 | -7 | -8 | -11 | -9 | -11 | -12 | -15 | -10 | -11 | -21 | -25 | -29 |
| 2009 | -31 | -28 | -34 | -28 | -33 | -34 | -34 | -27 | -26 | -31 | -31 | -25 |
| 2010 | -26 | -26 | -25 | -15 | -11 | -15 | -16 | | | | | |

SALES EXPECTATIONS

Net Percent (“Higher” Minus “Lower”) During Next Three Months
(Seasonally Adjusted)

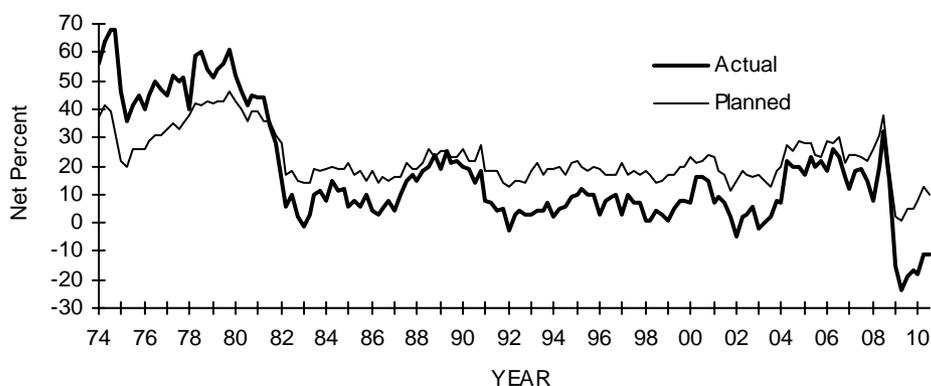
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 31 | 32 | 26 | 23 | 25 | 19 | 24 | 26 | 17 | 38 | 23 | 21 |
| 2006 | 24 | 28 | 12 | 21 | 20 | 13 | 18 | 10 | 17 | 17 | 21 | 18 |
| 2007 | 22 | 17 | 14 | 14 | 16 | 11 | 14 | 13 | 14 | 13 | 8 | 6 |
| 2008 | 4 | 0 | -3 | -3 | -11 | -11 | -9 | -6 | -2 | -16 | -14 | -18 |
| 2009 | -20 | -29 | -31 | -11 | -5 | -10 | -11 | -5 | -6 | -4 | -2 | -1 |
| 2010 | 3 | 0 | -3 | 6 | 5 | -5 | -4 | | | | | |



SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January Quarter 1974 to July Quarter 2010
 (Seasonally Adjusted)



ACTUAL PRICE CHANGES

Net Percent (“Higher” Minus “Lower”)
 Compared to Three Months Ago
 (Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 17 | 19 | 25 | 23 | 23 | 25 | 20 | 18 | 25 | 22 | 26 | 18 |
| 2006 | 18 | 23 | 17 | 26 | 24 | 23 | 23 | 22 | 20 | 16 | 17 | 8 |
| 2007 | 12 | 13 | 15 | 18 | 16 | 19 | 19 | 13 | 9 | 15 | 14 | 16 |
| 2008 | 8 | 13 | 18 | 20 | 23 | 29 | 32 | 26 | 20 | 15 | 0 | -6 |
| 2009 | -15 | -24 | -23 | -24 | -22 | -17 | -19 | -19 | -21 | -17 | -17 | -22 |
| 2010 | -18 | -21 | -20 | -11 | -15 | -13 | -11 | | | | | |

PRICE PLANS

Net Percent (“Higher” Minus “Lower”) in the Next Three Months
 (Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 28 | 27 | 27 | 28 | 29 | 28 | 24 | 27 | 27 | 23 | 33 | 27 |
| 2006 | 29 | 27 | 26 | 28 | 30 | 29 | 30 | 29 | 22 | 21 | 22 | 26 |
| 2007 | 24 | 23 | 22 | 24 | 23 | 21 | 23 | 22 | 21 | 22 | 26 | 26 |
| 2008 | 26 | 22 | 29 | 31 | 32 | 36 | 38 | 30 | 24 | 18 | 11 | 3 |
| 2009 | 2 | 1 | 0 | 1 | 3 | 5 | 5 | 8 | 6 | 5 | 4 | 3 |
| 2010 | 8 | 10 | 9 | 13 | 14 | 11 | 10 | | | | | |



SMALL BUSINESS EMPLOYMENT

ACTUAL EMPLOYMENT CHANGES

Net Percent (“Increase” Minus “Decrease”) in the Last Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 4 | 3 | 4 | -1 | 1 | 4 | 7 | 7 | 0 | 14 | 4 | 1 |
| 2006 | 1 | 4 | -1 | -3 | -3 | -2 | 2 | 5 | -3 | 5 | 0 | 3 |
| 2007 | 2 | 4 | -6 | -5 | -2 | 0 | 1 | 4 | -1 | 3 | 0 | 2 |
| 2008 | 0 | -3 | -7 | -9 | -10 | -12 | -5 | -4 | -10 | -9 | -10 | -18 |
| 2009 | -15 | -15 | -22 | -25 | -24 | -23 | -17 | -16 | -16 | -12 | -12 | -12 |
| 2010 | -10 | -9 | -11 | -12 | -12 | -10 | -5 | | | | | |

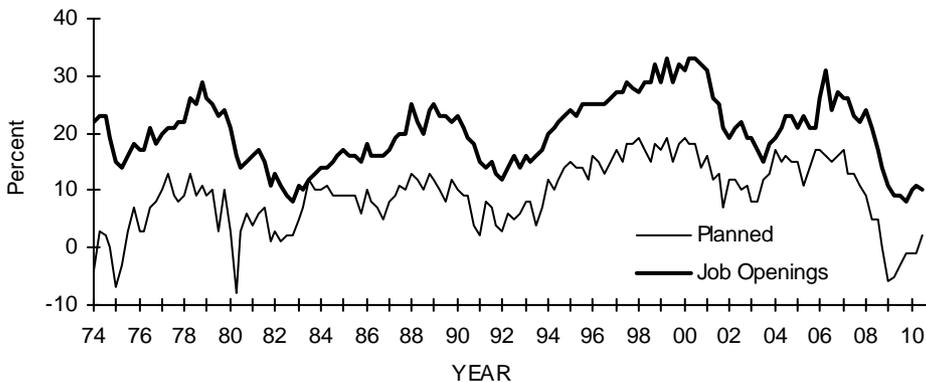
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 36 | 38 | 41 | 39 | 41 | 39 | 41 | 41 | 39 | 41 | 46 | 42 |
| 2006 | 40 | 40 | 39 | 41 | 46 | 45 | 42 | 46 | 44 | 46 | 44 | 40 |
| 2007 | 41 | 41 | 43 | 43 | 42 | 45 | 43 | 44 | 48 | 46 | 40 | 37 |
| 2008 | 37 | 36 | 36 | 37 | 33 | 39 | 36 | 35 | 38 | 35 | 31 | 30 |
| 2009 | * | * | 24 | 24 | 25 | 27 | 26 | 23 | 25 | 25 | 28 | 21 |
| 2010 | 24 | 26 | 23 | 26 | 26 | 25 | 28 | | | | | |

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January Quarter 1974 to July Quarter 2010
(Seasonally Adjusted)



SMALL BUSINESS EMPLOYMENT (CONTINUED)

JOB OPENINGS

Percent With Positions Not Able to Fill Right Now
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 21 | 24 | 24 | 23 | 23 | 20 | 21 | 24 | 23 | 21 | 24 | 22 |
| 2006 | 26 | 26 | 23 | 31 | 25 | 25 | 24 | 25 | 25 | 27 | 22 | 19 |
| 2007 | 26 | 25 | 26 | 26 | 24 | 26 | 23 | 25 | 25 | 22 | 19 | 21 |
| 2008 | 24 | 20 | 19 | 21 | 15 | 21 | 17 | 15 | 18 | 14 | 14 | 14 |
| 2009 | 11 | 11 | 10 | 9 | 9 | 11 | 9 | 8 | 8 | 8 | 8 | 10 |
| 2010 | 10 | 11 | 9 | 11 | 9 | 9 | 10 | | | | | |

HIRING PLANS

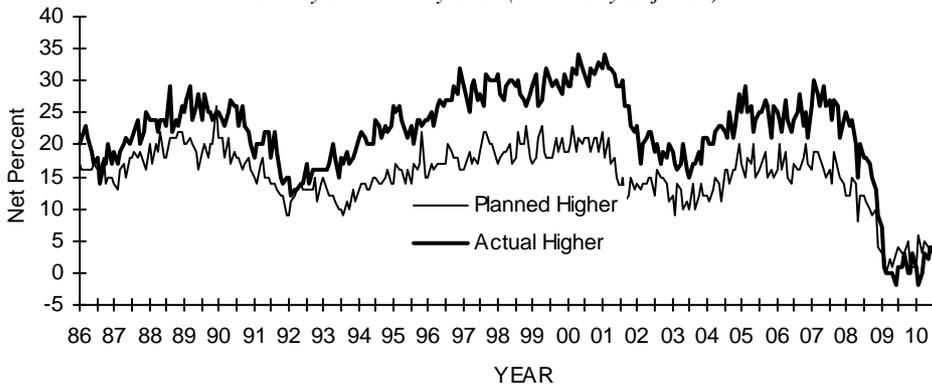
Net Percent (“Increase” Minus “Decrease”) in the Next Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 15 | 16 | 10 | 11 | 15 | 13 | 14 | 17 | 17 | 17 | 13 | 15 |
| 2006 | 17 | 16 | 9 | 16 | 14 | 9 | 15 | 17 | 17 | 16 | 19 | 10 |
| 2007 | 17 | 13 | 12 | 13 | 13 | 12 | 13 | 15 | 14 | 11 | 11 | 11 |
| 2008 | 9 | 11 | 3 | 5 | 2 | 5 | 5 | 9 | 7 | 0 | -4 | -6 |
| 2009 | -6 | -3 | -10 | -5 | -5 | -1 | -3 | 0 | -4 | -1 | -3 | -2 |
| 2010 | -1 | -1 | -2 | -1 | 1 | 1 | 2 | | | | | |

SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to July 2010 (Seasonally Adjusted)



SMALL BUSINESS COMPENSATION (CONTINUED)

ACTUAL COMPENSATION CHANGES

Net Percent (“Increase” Minus “Decrease”) During Last Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 25 | 29 | 25 | 26 | 22 | 24 | 25 | 25 | 27 | 26 | 21 | 26 |
| 2006 | 25 | 24 | 22 | 27 | 24 | 22 | 24 | 25 | 28 | 23 | 25 | 21 |
| 2007 | 26 | 30 | 28 | 26 | 29 | 26 | 27 | 24 | 27 | 26 | 21 | 24 |
| 2008 | 25 | 23 | 24 | 20 | 15 | 20 | 18 | 18 | 17 | 15 | 13 | 9 |
| 2009 | 7 | 1 | 0 | 0 | 0 | -2 | 1 | 1 | 3 | 0 | 0 | 3 |
| 2010 | 1 | -2 | 0 | 3 | 2 | 4 | 3 | | | | | |

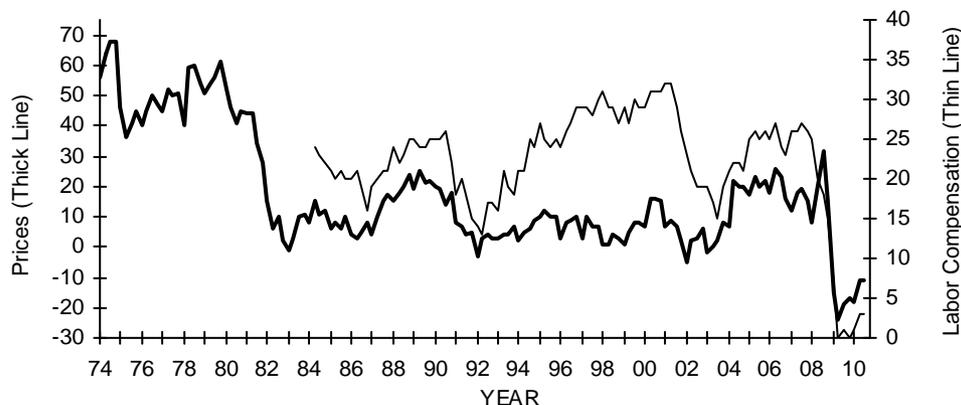
COMPENSATION PLANS

Net Percent (“Increase” Minus “Decrease”) in the Next Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 17 | 15 | 18 | 17 | 20 | 15 | 16 | 17 | 19 | 15 | 16 | 15 |
| 2006 | 16 | 20 | 16 | 19 | 15 | 14 | 17 | 16 | 16 | 18 | 20 | 17 |
| 2007 | 16 | 19 | 19 | 18 | 16 | 15 | 16 | 14 | 19 | 16 | 15 | 14 |
| 2008 | 12 | 12 | 15 | 14 | 8 | 12 | 12 | 11 | 10 | 9 | 10 | 4 |
| 2009 | 3 | 3 | 0 | 2 | 1 | 3 | 4 | 3 | 3 | 5 | 1 | 1 |
| 2010 | 1 | 6 | 3 | 5 | 4 | 3 | 5 | | | | | |

PRICES AND LABOR COMPENSATION

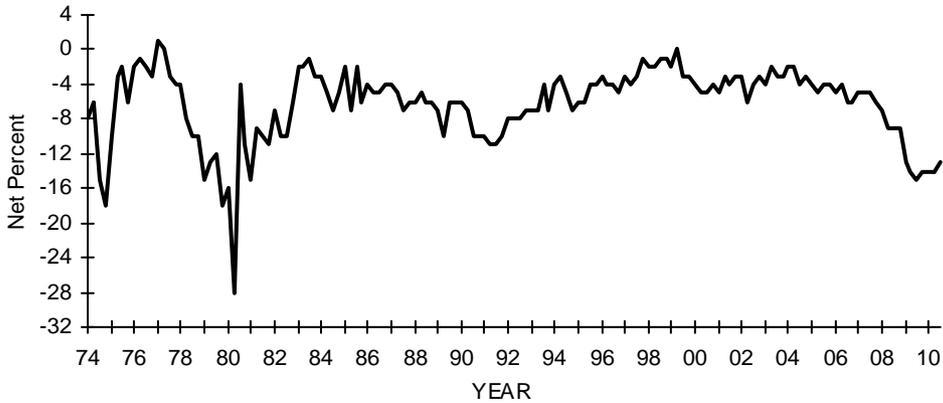
Net Percent Price Increase and Net Percent Compensation Increase
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January Quarter 1974 to July Quarter 2010



* For the population borrowing at least once every three months.

REGULAR BORROWERS

Percent Borrowing at Least Once Every Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 36 | 35 | 37 | 39 | 40 | 39 | 34 | 40 | 36 | 34 | 38 | 34 |
| 2006 | 37 | 38 | 36 | 40 | 38 | 41 | 38 | 46 | 35 | 37 | 38 | 35 |
| 2007 | 37 | 39 | 35 | 37 | 38 | 35 | 36 | 35 | 36 | 36 | 32 | 34 |
| 2008 | 36 | 34 | 33 | 36 | 35 | 35 | 34 | 34 | 32 | 33 | 31 | 33 |
| 2009 | 35 | 36 | 33 | 33 | 34 | 30 | 33 | 32 | 33 | 33 | 33 | 33 |
| 2010 | 32 | 34 | 35 | 31 | 32 | 29 | 32 | | | | | |

AVAILABILITY OF LOANS

Net Percent ("Easier" Minus "Harder")
Compared to Three Months Ago
(Regular Borrowers)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | -4 | -3 | -3 | -5 | -5 | -3 | -4 | -5 | -3 | -4 | -6 | -3 |
| 2006 | -5 | -5 | -6 | -4 | -5 | -5 | -6 | -8 | -3 | -6 | -6 | -6 |
| 2007 | -5 | -5 | -7 | -5 | -6 | -5 | -5 | -7 | -9 | -6 | -7 | -7 |
| 2008 | -7 | -5 | -7 | -9 | -8 | -7 | -9 | -10 | -11 | -9 | -11 | -12 |
| 2009 | -13 | -13 | -12 | -14 | -16 | -14 | -15 | -14 | -14 | -14 | -15 | -15 |
| 2010 | -14 | -12 | -15 | -14 | -13 | -13 | -13 | | | | | |



SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

BORROWING NEEDS SATISFIED

Percent of All Businesses Last Three Months Satisfied/
Percent of All Businesses Last Three Months Not Satisfied
(Borrowers Only)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|------|-------|------|------|-------|-------|------|-------|------|-------|------|
| 2005 | 38/4 | 39/4 | 39/5 | 38/6 | 41/4 | 39/5 | 34/5 | 36/4 | 34/4 | 34/5 | 39/4 | 35/5 |
| 2006 | 36/4 | 37/6 | 36/6 | 38/5 | 38/5 | 39/5 | 38/4 | 44/4 | 34/4 | 36/7 | 34/4 | 36/5 |
| 2007 | 36/5 | 40/5 | 35/5 | 38/4 | 39/6 | 36/4 | 37/5 | 35/4 | 37/5 | 36/6 | 32/4 | 32/7 |
| 2008 | 34/5 | 35/4 | 32/6 | 34/5 | 34/7 | 35/5 | 32/7 | 35/6 | 33/6 | 31/6 | 31/7 | 32/6 |
| 2009 | 33/8 | 32/8 | 29/10 | 30/8 | 28/9 | 30/10 | 28/10 | 30/7 | 30/10 | 29/9 | 29/10 | 28/8 |
| 2010 | 27/11 | 29/9 | 29/11 | 28/9 | 28/8 | 25/10 | 27/9 | | | | | |

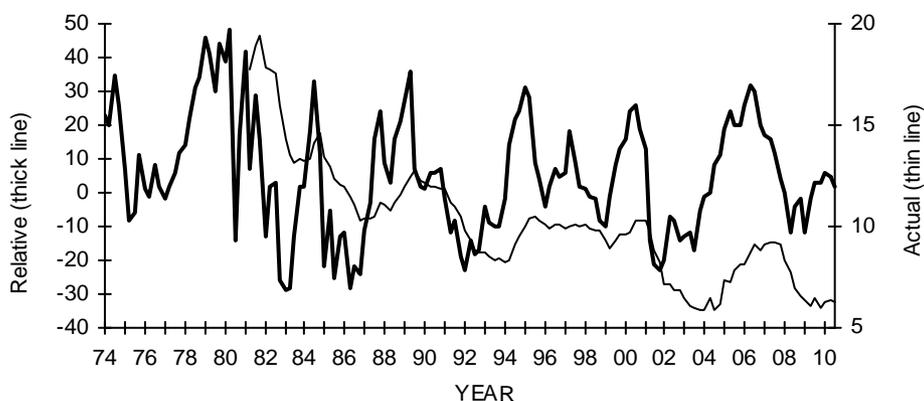
EXPECTED CREDIT CONDITIONS

Net Percent (“Easier” Minus “Harder”) During Next Three Months
(Regular Borrowers)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | -4 | -3 | -6 | -6 | -8 | -7 | -5 | -8 | -6 | -5 | -8 | -5 |
| 2006 | -6 | -7 | -7 | -8 | -8 | -8 | -7 | -9 | -5 | -6 | -5 | -7 |
| 2007 | -7 | -8 | -8 | -7 | -6 | -6 | -6 | -9 | -10 | -8 | -8 | -10 |
| 2008 | -9 | -8 | -9 | -11 | -10 | -10 | -12 | -11 | -13 | -16 | -13 | -15 |
| 2009 | -14 | -16 | -14 | -12 | -15 | -13 | -14 | -13 | -15 | -16 | -15 | -15 |
| 2010 | -13 | -14 | -16 | -15 | -12 | -13 | -14 | | | | | |

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January Quarter 1974 to July Quarter 2010



SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

RELATIVE INTEREST RATE PAID BY REGULAR BORROWERS*

Net Percent (“Higher” Minus “Lower”) Compared to Three Months Ago

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 19 | 22 | 24 | 24 | 27 | 21 | 20 | 23 | 20 | 20 | 26 | 21 |
| 2006 | 26 | 32 | 29 | 32 | 28 | 30 | 30 | 34 | 22 | 20 | 23 | 16 |
| 2007 | 17 | 21 | 19 | 16 | 15 | 12 | 12 | 14 | 15 | 4 | 3 | 1 |
| 2008 | 0 | -9 | -5 | -12 | -15 | -11 | -4 | -2 | -3 | -2 | -6 | -8 |
| 2009 | -12 | -9 | -1 | -2 | 0 | 0 | 3 | 3 | 5 | 3 | 8 | 3 |
| 2010 | 6 | 6 | 9 | 5 | 4 | 0 | 2 | | | | | |

*Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

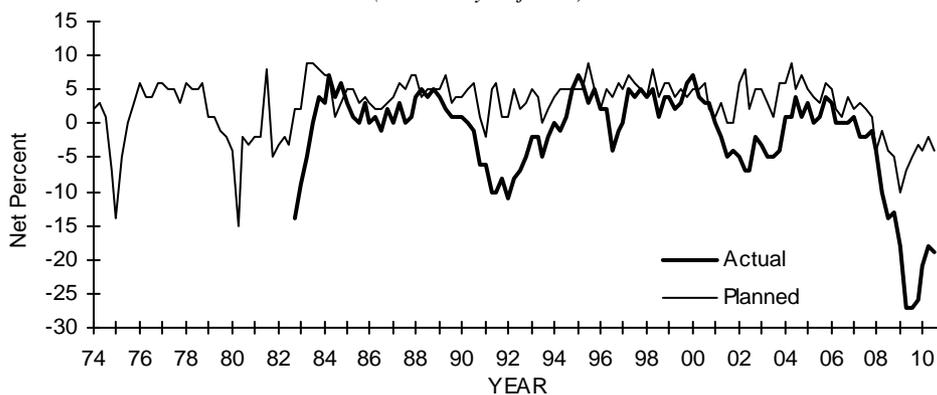
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 7.4 | 6.7 | 7.0 | 7.3 | 7.0 | 7.1 | 7.8 | 7.6 | 7.5 | 8.1 | 8.1 | 7.9 |
| 2006 | 8.1 | 8.3 | 8.0 | 8.7 | 8.1 | 8.7 | 9.1 | 9.0 | 8.8 | 8.8 | 8.3 | 9.8 |
| 2007 | 9.1 | 9.3 | 9.3 | 9.2 | 9.5 | 9.3 | 9.2 | 8.7 | 9.0 | 9.1 | 8.5 | 8.5 |
| 2008 | 8.3 | 8.1 | 8.3 | 7.7 | 6.9 | 7.1 | 7.0 | 6.9 | 7.1 | 6.6 | 7.0 | 6.6 |
| 2009 | 6.4 | 6.2 | 6.2 | 6.1 | 6.3 | 6.5 | 6.5 | 6.1 | 6.1 | 6.0 | 5.9 | 6.3 |
| 2010 | 6.3 | 6.0 | 6.8 | 6.4 | 6.5 | 6.0 | 6.3 | | | | | |



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January Quarter 1974 to July Quarter 2010
(Seasonally Adjusted)



SMALL BUSINESS INVENTORIES (CONTINUED)

ACTUAL INVENTORY CHANGES

Net Percent (“Increase” Minus “Decrease”) During Last Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 3 | 5 | 7 | 0 | 3 | 2 | 1 | 0 | -4 | 4 | 1 | 2 |
| 2006 | 3 | 1 | 6 | 0 | -2 | 0 | 0 | 3 | 1 | 0 | 0 | -3 |
| 2007 | 1 | 5 | 2 | -2 | 2 | -5 | -2 | -3 | -2 | -1 | -6 | -3 |
| 2008 | -4 | -2 | -7 | -10 | -12 | -11 | -14 | -13 | -12 | -13 | -17 | -21 |
| 2009 | -18 | -19 | -23 | -27 | -27 | -27 | -27 | -24 | -24 | -26 | -25 | -28 |
| 2010 | -21 | -18 | -18 | -18 | -20 | -21 | -19 | | | | | |

INVENTORY SATISFACTION

Net Percent (“Too Low” Minus “Too Large”) at Present Time
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | -3 | -2 | 1 | -2 | -3 | -1 | -2 | -1 | 1 | -2 | -1 | -3 |
| 2006 | -1 | -2 | 0 | -1 | -1 | -1 | -2 | -6 | -6 | -3 | -6 | -7 |
| 2007 | -2 | -2 | -5 | -3 | -6 | -7 | -2 | -2 | -3 | -7 | -3 | -3 |
| 2008 | -4 | -4 | -1 | -1 | -3 | -1 | -4 | -3 | -1 | -4 | -4 | -7 |
| 2009 | -6 | -5 | -4 | -5 | -2 | -5 | -4 | -4 | 0 | -3 | -2 | -4 |
| 2010 | -1 | -1 | -1 | 1 | 0 | -1 | 0 | | | | | |

INVENTORY PLANS

Net Percent (“Increase” Minus “Decrease”) in the Next Three to Six Months
(Seasonally Adjusted)

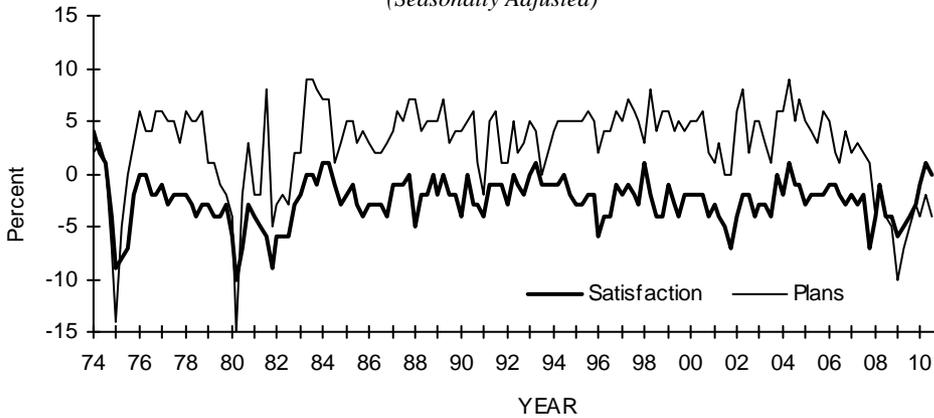
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 5 | 2 | 6 | 4 | 5 | 2 | 3 | 2 | 4 | 6 | 8 | 9 |
| 2006 | 5 | 7 | 3 | 2 | 3 | 0 | 1 | -1 | -1 | 4 | 0 | 0 |
| 2007 | 2 | 3 | 3 | 3 | 0 | -3 | 2 | -4 | 0 | 1 | 2 | -3 |
| 2008 | -4 | -2 | -2 | -1 | -4 | -5 | -4 | -9 | -3 | -5 | -6 | -4 |
| 2009 | -10 | -10 | -13 | -7 | -3 | -6 | -5 | -7 | -6 | -3 | -3 | -8 |
| 2010 | -4 | -7 | -7 | -2 | 2 | -3 | -4 | | | | | |



SMALL BUSINESS CAPITAL OUTLAYS

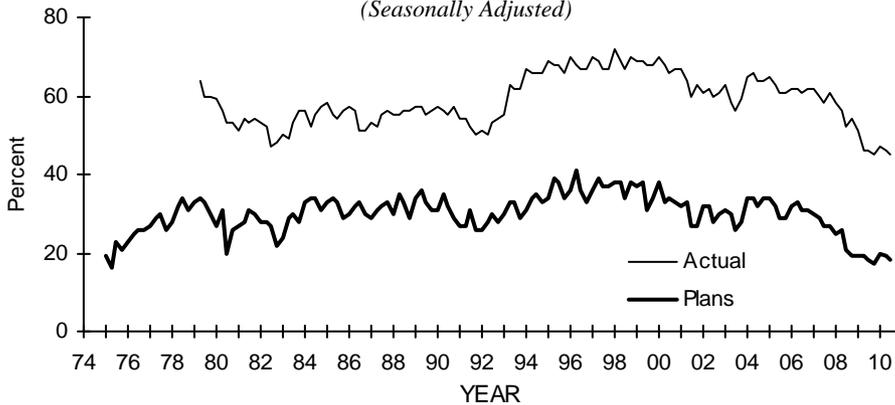
INVENTORY SATISFACTION AND INVENTORY PLANS

Net Percent ("Too Low" Minus "Too Large") at Present Time
 Net Percent Planning to Add Inventories in the Next Three to Six Months
(Seasonally Adjusted)



CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months
January Quarter 1974 to July Quarter 2010
(Seasonally Adjusted)



ACTUAL CAPITAL EXPENDITURES

Percent Making a Capital Expenditure During the Last Six Months

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 65 | 63 | 63 | 63 | 64 | 61 | 61 | 61 | 65 | 61 | 64 | 63 |
| 2006 | 62 | 63 | 62 | 62 | 62 | 60 | 61 | 62 | 63 | 62 | 63 | 61 |
| 2007 | 62 | 61 | 61 | 60 | 60 | 55 | 58 | 58 | 60 | 61 | 56 | 62 |
| 2008 | 58 | 58 | 57 | 56 | 54 | 52 | 52 | 54 | 52 | 54 | 56 | 51 |
| 2009 | 51 | 52 | 50 | 46 | 46 | 46 | 46 | 45 | 44 | 45 | 44 | 44 |
| 2010 | 47 | 47 | 45 | 46 | 46 | 46 | 45 | | | | | |



SMALL BUSINESS CAPITAL OUTLAYS (CONTINUED)

TYPE OF CAPITAL EXPENDITURES MADE

Percent Purchasing or Leasing During Last Six Months

| Type | Current | One Year Ago | Two Years Ago |
|-------------------------|---------|--------------|---------------|
| Vehicles | 14 | 15 | 19 |
| Equipment | 30 | 32 | 38 |
| Furniture or Fixtures | 9 | 9 | 13 |
| Add. Bldgs. or Land | 3 | 4 | 6 |
| Improved Bldgs. or Land | 11 | 12 | 13 |

AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures
During the Last Six Months

| Amount | Current | One Year Ago | Two Years Ago |
|----------------------|---------|--------------|---------------|
| \$1 to \$999 | 4 | 4 | 3 |
| \$1,000 to \$4,999 | 9 | 8 | 8 |
| \$5,000 to \$9,999 | 5 | 5 | 6 |
| \$10,000 to \$49,999 | 15 | 16 | 17 |
| \$50,000 to \$99,999 | 5 | 6 | 7 |
| \$100,000 + | 7 | 7 | 8 |
| No Answer | 0 | 0 | 3 |

CAPITAL EXPENDITURE PLANS

Percent Planning a Capital Expenditure During Next Three to Six Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2005 | 34 | 33 | 36 | 32 | 33 | 33 | 29 | 31 | 31 | 29 | 34 | 33 |
| 2006 | 32 | 35 | 31 | 33 | 28 | 27 | 31 | 28 | 30 | 31 | 31 | 26 |
| 2007 | 30 | 30 | 33 | 29 | 29 | 28 | 27 | 27 | 29 | 27 | 27 | 30 |
| 2008 | 25 | 26 | 25 | 26 | 25 | 26 | 21 | 23 | 21 | 19 | 21 | 17 |
| 2009 | 19 | 18 | 16 | 19 | 20 | 17 | 18 | 16 | 18 | 17 | 16 | 18 |
| 2010 | 20 | 20 | 19 | 19 | 20 | 19 | 18 | | | | | |



SINGLE MOST IMPORTANT PROBLEM

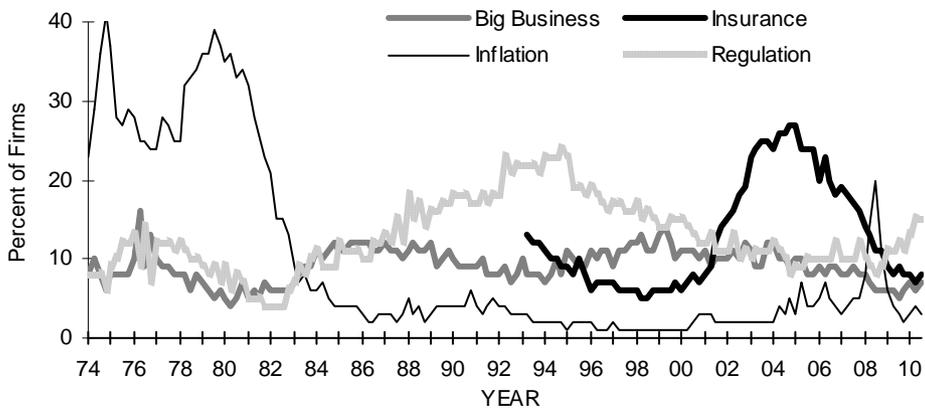
SINGLE MOST IMPORTANT PROBLEM

July 2010

| Problem | Current | One Year Ago | Survey High | Survey Low |
|--------------------------|---------|--------------|-------------|------------|
| Taxes | 22 | 19 | 32 | 8 |
| Inflation | 4 | 5 | 41 | 0 |
| Poor Sales | 29 | 34 | 33 | 2 |
| Fin. & Interest Rates | 4 | 5 | 37 | 2 |
| Cost of Labor | 4 | 3 | 9 | 2 |
| Govt. Reqs. & Red Tape | 15 | 11 | 27 | 4 |
| Comp. From Large Bus. | 6 | 5 | 14 | 4 |
| Quality of Labor | 4 | 2 | 23 | 3 |
| Cost/Avail. of Insurance | 7 | 9 | 29 | 4 |
| Other | 5 | 7 | 31 | 2 |

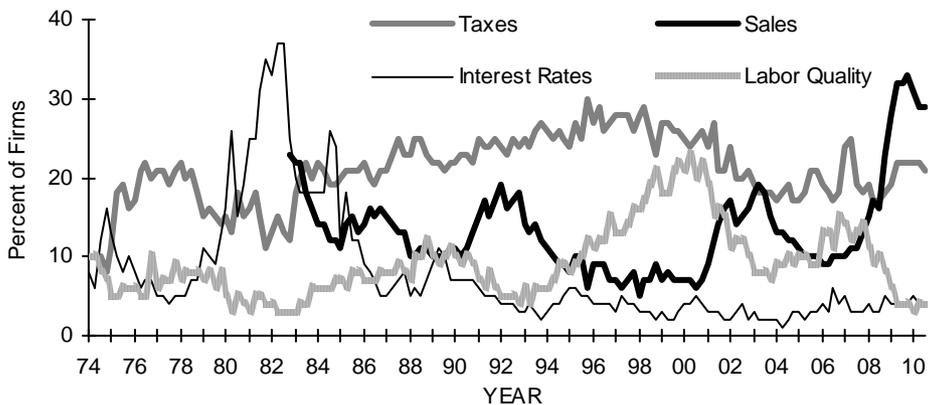
SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation
January Quarter 1974 to July Quarter 2010



SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes
January Quarter 1974 to July Quarter 2010



SURVEY PROFILE

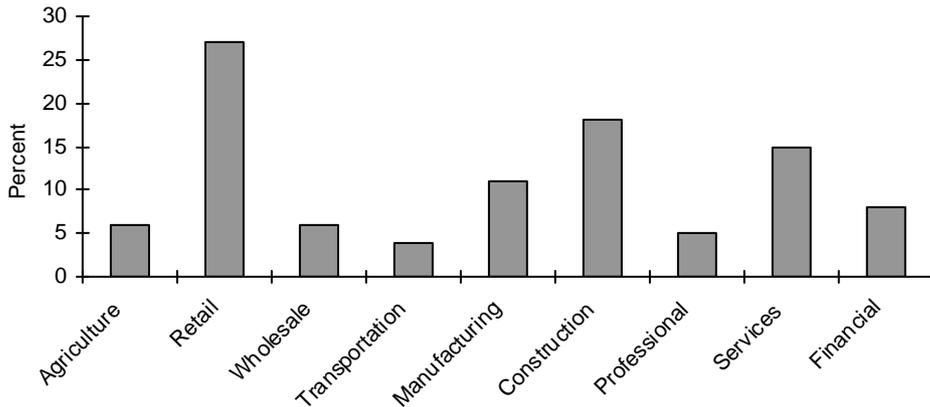
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|
| 2005 | 1239 | 495 | 409 | 1220 | 489 | 427 | 1116 | 499 | 423 | 1116 | 532 | 481 |
| 2006 | 1274 | 484 | 471 | 1094 | 440 | 416 | 1007 | 480 | 380 | 1075 | 451 | 446 |
| 2007 | 1755 | 750 | 737 | 1703 | 618 | 589 | 1613 | 720 | 674 | 1614 | 719 | 670 |
| 2008 | 1845 | 700 | 735 | 1768 | 737 | 703 | 1827 | 812 | 743 | 1992 | 826 | 805 |
| 2009 | 2013 | 846 | 867 | 1794 | 814 | 758 | 1994 | 882 | 827 | 2059 | 825 | 830 |
| 2010 | 2114 | 799 | 948 | 2176 | 823 | 804 | 2029 | | | | | |

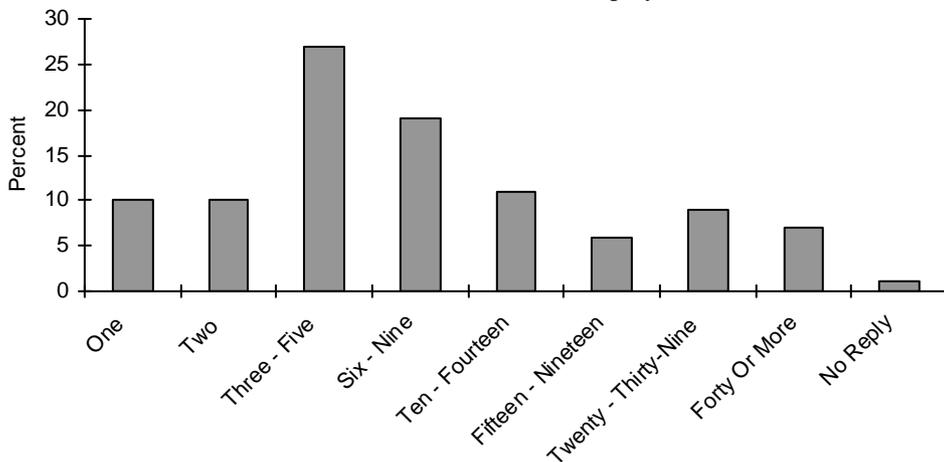
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Industry of Small Business



NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Number of Full and Part-Time Employees



NFIB RESEARCH FOUNDATION SMALL BUSINESS ECONOMIC SURVEY

SMALL BUSINESS SURVEY QUESTIONS

PAGE IN REPORT

| | |
|---|-----------|
| Do you think the next three months will be a good time for small business to expand substantially? Why? | 4 |
| About the economy in general, do you think that six months from now general business conditions will be better than they are now, about the same, or worse? | 5 |
| Were your net earnings or “income” (after taxes) from your business during the last calendar quarter higher, lower, or about the same as they were for the quarter before? | 6 |
| If higher or lower, what is the most important reason? | 6 |
| During the last calendar quarter, was your dollar sales volume higher, lower, or about the same as it was for the quarter before? | 7 |
| Overall, what do you expect to happen to real volume (number of units) of goods and/or services that you will sell during the next three months? | 7 |
| How are your average selling prices compared to three months ago? | 8 |
| In the next three months, do you plan to change the average selling prices of your goods and/or services? | 8 |
| During the last three months, did the total number of employees in your firm increase, decrease, or stay about the same? | 9 |
| If you have filled or attempted to fill any job openings in the past three months, how many qualified applicants were there for the position(s)? | 9 |
| Do you have any job openings that you are not able to fill right now? | 10 |
| In the next three months, do you expect to increase or decrease the total number of people working for you? | 10 |
| Over the past three months, did you change the average employee compensation? | 11 |
| Do you plan to change average employee compensation during the next three months? | 11 |



Are...loans easier or harder to get than they were three months ago?12

During the last three months, was your firm able to satisfy its borrowing needs?.....13

Do you expect to find it easier or harder to obtain your required financing during the next three months?.....13

If you borrow money regularly (at least once every three months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid three months ago?.....14

If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay?14

During the last three months, did you increase or decrease your inventories?.....15

At the present time, do you feel your inventories are too large, about right, or inadequate?.....15

Looking ahead to the next three months to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them?15

During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?16

If [your firm made any capital expenditures], what was the total cost of all these projects?17

Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?17

What is the single most important problem facing your business today?18

Please classify your major business activity, using one of the categories of example below.....19

How many employees do you have full and part-time, including yourself?19

