



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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September 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	-1%	-1	*
Plans to Make Capital Outlays	16%	-2	*
Plans to Increase Inventories	-7%	-3	*
Expect Economy to Improve	-8%	7	*
Expect Real Sales Higher	0%	4	*
Current Inventory	-1%	-1	*
Current Job Openings	11%	1	*
Expected Credit Conditions	-14%	0	*
Now a Good Time to Expand	4%	-1	*
Earnings Trends	-30%	3	*
Total Change		7	*

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

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*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

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## OPTIMISM INDEX

The Index of Small Business Optimism gained 0.7 points in August, rising to 88.8. Most of the improvement was accounted for by gains in expected real sales and expectations for business conditions six months out, the two components that lowered the Index in July.

## LABOR MARKETS

There is no life in the jobs market. The Bureau of Labor Statistics (BLS) reported 67,000 new private sector jobs in August, but 45,000 were from education and health care which are heavily dependent on government spending, not exactly “Main Street” companies. Eleven (11) percent (seasonally adjusted) reported unfilled job openings, up one point from July but historically very weak. Over the next three months, eight percent plan to increase employment (down one point), and 13 percent plan to reduce their workforce (up three points), yielding a seasonally adjusted net one percent of owners planning to create new jobs, down one point from July but positive for the fourth time in the last 22 months.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months fell one point to 44 percent of all firms, again hitting the 35 year record low. The environment for capital spending is not good. Interest rates are low but the record long recession has eroded financial strength. More importantly, the prospects that investment spending and/or hiring will somehow increase profits are low. Four percent characterized the current period as a good time to expand facilities, down one point. A net negative eight percent expect business conditions to improve over the next six months, seven points better than July but still more owners expect the economy to weaken than strengthen. Owners do not trust the economic policies in place or proposed, fear the economic implications of massive deficits and are distressed by global and national developments that make the future more uncertain.

## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past three months was unchanged from July at a net negative 16 percent, 18 points better than June 2009 but indicative of very weak customer activity. Small business owners continued to liquidate inventories and weak sales trends gave little reason to order new stock. A net negative 15 percent of all owners reported gains in inventories, four points better than July but still very weak. Inventories had been built in the expansion to satisfy the spending of a consumer that was saving virtually nothing. August 2010, is the 29th negative double digit month in a row and the 39th negative month in a row for inventory reductions. Inventories at the “big” firms may start to accumulate as orders from small firms (many of who are the final interface with the consumer) weaken.

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This survey was conducted in August 2010. A sample of 3,938 small-business owners/members was drawn. Eight hundred and seventy-four (874) usable responses were received – a response rate of 22 percent.



## INFLATION

The weak economy continued to put downward pressure on prices. Seasonally adjusted, the net percent of owners raising prices was a negative eight percent, a four point increase from July. August is the 21st consecutive month in which more owners reported cutting average selling prices than raising them. Widespread price cutting contributes to the high percentage reporting declining sales revenues. Plans to raise prices were unchanged at a net seasonally adjusted 10 percent of owners. On the cost side, three percent of owners cited inflation as their number one problem and only four percent cited the cost of labor, so neither labor costs or materials costs are pressuring owners to raise prices. With no pricing power and real sales volumes weak, profits are not able to recover.

## PROFITS AND WAGES

Reports of positive profit trends improved three points in August, registering a net negative 30 percentage points, 26 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 (unchanged), but 42 percent reported profits falling, a three point improvement from July. 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, good news for those worried about inflation but bad news for workers. In past recovery periods, compensation improved at a much faster pace than we have experienced in this recovery period.

## CREDIT MARKETS

A near record low 31 percent of all owners reported borrowing on a regular basis, which is then not surprising that reported and planned capital spending are at 35 year record low levels. Those looking for loans predominately are looking for cash flow support, not funds to expand or hire (see Small Business Credit in a Recession, 12/09). A net 12 percent reported loans harder to get than in their last attempt, one point lower than July. Overall, 91 percent of the owners reported all their credit needs met or they did not want to borrow, unchanged from July. Only four percent cited financing as their top business problem. What businesses need are customers, giving them a reason to hire and make capital expenditures and borrow to support those activities. 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 negative 14 percent (more owners expect that it will be "harder" to arrange financing), unchanged from July. The Federal Reserve is holding rates at historically low levels, but this is not improving the outlook for the ease of financing expansion. Sales are needed, not just low rates.



# COMMENTARY

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The Index has been below 93 every month since January 2008 (32 months), and below 90 for 25 of those months, all readings typical of a weak or recession-mired economy. Near the beginning of the recession in 2008, USA Inc. shareholders elected a new CEO and management team but unfortunately the change in leadership did nothing to curb the recession. In fact, the economy only got worse while new policy tactics enacted by management made little sense in terms of dealing with the main problems. Now, the shareholders are more than restless and unnerved by what they see coming out of Washington. New solutions to the problems continue to be announced, but confidence in management is very low and continues to decline. The next shareholder meeting many board members will be gone, replaced with a new set of ideas and focus.

As a result, spending is in “maintenance” mode, replacing vehicles or equipment only as needed and hiring only for replacement purposes, therefore little growth in the economy. Spending (financed with credit or out of cash) for new equipment, expansion or for new employees must generate enough additional value to pay off the “investment” but the current environment, with weak consumer spending, offers few such opportunities. Over the last two years, record highs of nearly 1/3 of all owners continue to report weak sales as their top business problem. Reports of quarter to quarter declines in sales outnumber reports of gains by 16 percentage points. This has characterized conditions for the past two years. Seventy-three (73) percent of owners feel it is not a good time to expand (18 percent of these blame the political climate), 21 percent are uncertain. Only 4 percent think it is a good time to expand and in some parts of the U.S. or in some industries, this is probably the case.

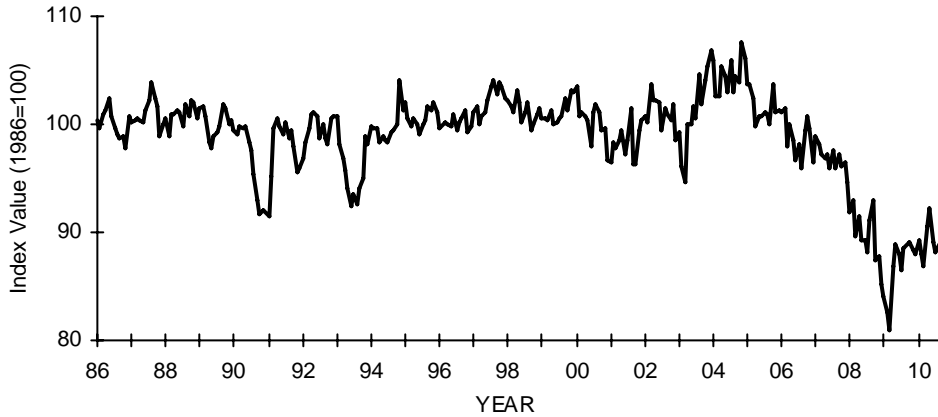
Inflation? Not a threat. Far more owners have cut prices than raised them for 21 months in a row. Deflation? It certainly feels that way to a quarter of the owners reporting price declines for the goods and services they produce and sell. “Double Dip”? Fundamentally, the economy is set for growth, with a one percent increase in the general population (who eat, need housing and transportation) and more stuff is wearing out in need of replacements. But there is always the risk of another serious policy mistake in Washington or other events that will cause consumers to save even more and defer purchases. Those events could produce more negative growth but this is hard to predict. Assuming no new surprises, there is still enough uncertainty out there to digest and insure that growth will remain sub-par for some time to come and the unemployment rate will stay on the high side of 9.5 percent. It could have been much different with a different set of policies.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

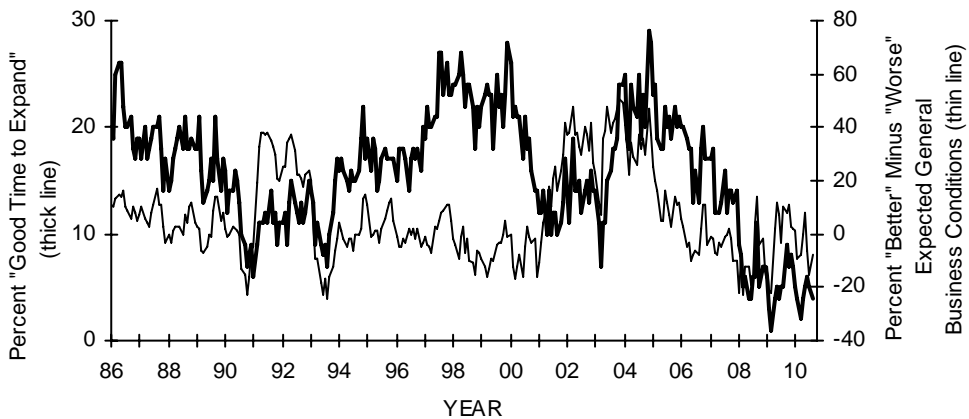
Based on Ten Survey Indicators  
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
<b>2008</b>	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
<b>2009</b>	84.1	82.6	81.0	86.8	88.9	87.9	86.5	88.6	88.8	89.1	88.3	88.0
<b>2010</b>	89.3	88.0	86.8	90.6	92.2	89.0	88.1	88.8				

## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to August 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
<b>2005</b>	23	24	19	18	18	22	20	21	19	22	20	21
<b>2006</b>	20	20	19	18	18	13	16	13	18	20	17	17
<b>2007</b>	17	18	12	12	12	13	16	12	14	14	13	14
<b>2008</b>	9	8	5	6	4	4	6	6	11	5	7	7
<b>2009</b>	6	3	1	4	5	4	5	5	9	7	8	7
<b>2010</b>	5	4	2	4	5	6	5	4				

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
August 2010

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	1	50	12
<b>Sales Prospects</b>	1	4	1
<b>Fin. &amp; Interest Rates</b>	1	2	1
<b>Cost of Expansion</b>	0	1	1
<b>Political Climate</b>	0	13	5
<b>Other/Not Available</b>	1	3	1

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

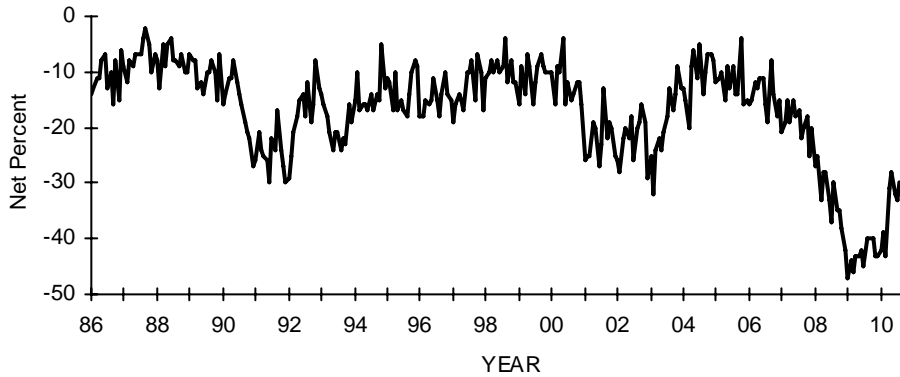
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	25	20	16	5	5	16	12	7	3	14	11	12
<b>2006</b>	6	3	-5	-3	-10	-8	-6	-8	2	11	11	-4
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-10
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9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



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to August 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
<b>2005</b>	-12	-11	-10	-15	-9	-13	-9	-14	-14	-4	-16	-15
<b>2006</b>	-16	-15	-12	-13	-11	-11	-16	-19	-8	-14	-18	-15
<b>2007</b>	-21	-19	-15	-19	-15	-18	-17	-22	-20	-18	-25	-20
<b>2008</b>	-27	-25	-33	-28	-28	-33	-37	-30	-35	-35	-38	-42
<b>2009</b>	-47	-44	-46	-43	-43	-42	-45	-40	-40	-40	-43	-43
<b>2010</b>	-42	-39	-43	-31	-28	-32	-33	-30				

## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
August 2010

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	22	31	17
<b>Increased Costs*</b>	10	8	16
<b>Cut Selling Prices</b>	4	6	4
<b>Usual Seasonal Change</b>	3	2	2
<b>Other</b>	3	3	2

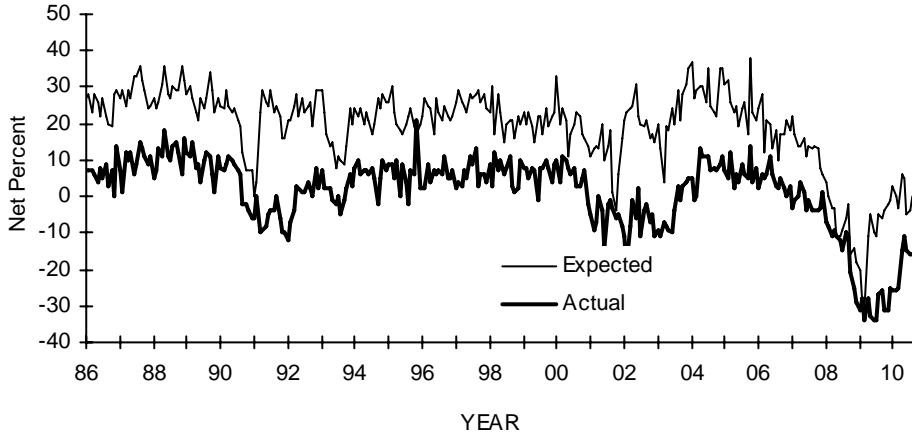
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Next Three Months)  
 January 1986 to August 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
<b>2005</b>	7	5	12	2	6	4	9	6	5	14	4	8
<b>2006</b>	2	6	5	6	11	6	3	2	5	2	0	3
<b>2007</b>	-3	-1	0	4	1	-4	-1	-4	-4	-4	-3	1
<b>2008</b>	-7	-8	-11	-9	-11	-12	-15	-10	-11	-21	-25	-29
<b>2009</b>	-31	-28	-34	-28	-33	-34	-34	-27	-26	-31	-31	-25
<b>2010</b>	-26	-26	-25	-15	-11	-15	-16	-16				

## SALES EXPECTATIONS

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

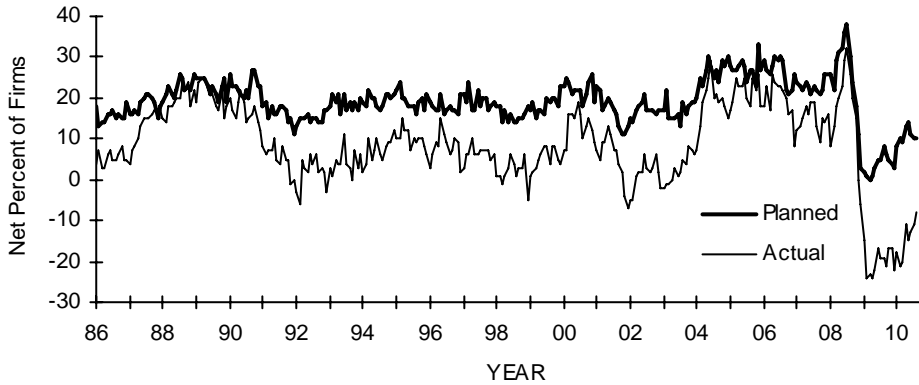
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	31	32	26	23	25	19	24	26	17	38	23	21
<b>2006</b>	24	28	12	21	20	13	18	10	17	17	21	18
<b>2007</b>	22	17	14	14	16	11	14	13	14	13	8	6
<b>2008</b>	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
<b>2009</b>	-20	-29	-31	-11	-5	-10	-11	-5	-6	-4	-2	-1
<b>2010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



# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to August 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
<b>2005</b>	17	19	25	23	23	25	20	18	25	22	26	18
<b>2006</b>	18	23	17	26	24	23	23	22	20	16	17	8
<b>2007</b>	12	13	15	18	16	19	19	13	9	15	14	16
<b>2008</b>	8	13	18	20	23	29	32	26	20	15	0	-6
<b>2009</b>	-15	-24	-23	-24	-22	-17	-19	-19	-21	-17	-17	-22
<b>2010</b>	-18	-21	-20	-11	-15	-13	-11	-8				

## 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
<b>2005</b>	28	27	27	28	29	28	24	27	27	23	33	27
<b>2006</b>	29	27	26	28	30	29	30	29	22	21	22	26
<b>2007</b>	24	23	22	24	23	21	23	22	21	22	26	26
<b>2008</b>	26	22	29	31	32	36	38	30	24	18	11	3
<b>2009</b>	2	1	0	1	3	5	5	8	6	5	4	3
<b>2010</b>	8	10	9	13	14	11	10	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
<b>2005</b>	4	3	4	-1	1	4	7	7	0	14	4	1
<b>2006</b>	1	4	-1	-3	-3	-2	2	5	-3	5	0	3
<b>2007</b>	2	4	-6	-5	-2	0	1	4	-1	3	0	2
<b>2008</b>	0	-3	-7	-9	-10	-12	-5	-4	-10	-9	-10	-18
<b>2009</b>	-15	-15	-22	-25	-24	-23	-17	-16	-16	-12	-12	-12
<b>2010</b>	-10	-9	-11	-12	-12	-10	-5	-2				

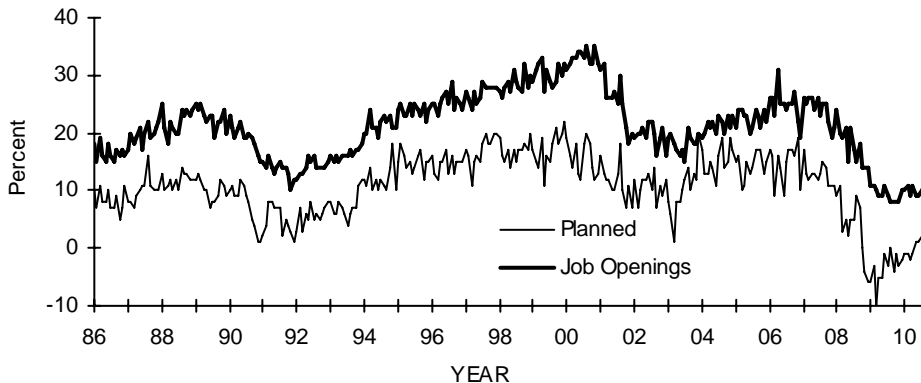
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	36	38	41	39	41	39	41	41	39	41	46	42
<b>2006</b>	40	40	39	41	46	45	42	46	44	46	44	40
<b>2007</b>	41	41	43	43	42	45	43	44	48	46	40	37
<b>2008</b>	37	36	36	37	33	39	36	35	38	35	31	30
<b>2009</b>	*	*	24	24	25	27	26	23	25	25	28	21
<b>2010</b>	24	26	23	26	26	25	28	22				

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to August 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
<b>2005</b>	21	24	24	23	23	20	21	24	23	21	24	22
<b>2006</b>	26	26	23	31	25	25	24	25	25	27	22	19
<b>2007</b>	26	25	26	26	24	26	23	25	25	22	19	21
<b>2008</b>	24	20	19	21	15	21	17	15	18	14	14	14
<b>2009</b>	11	11	10	9	9	11	9	8	8	8	8	10
<b>2010</b>	10	11	9	11	9	9	10	11				

## HIRING PLANS

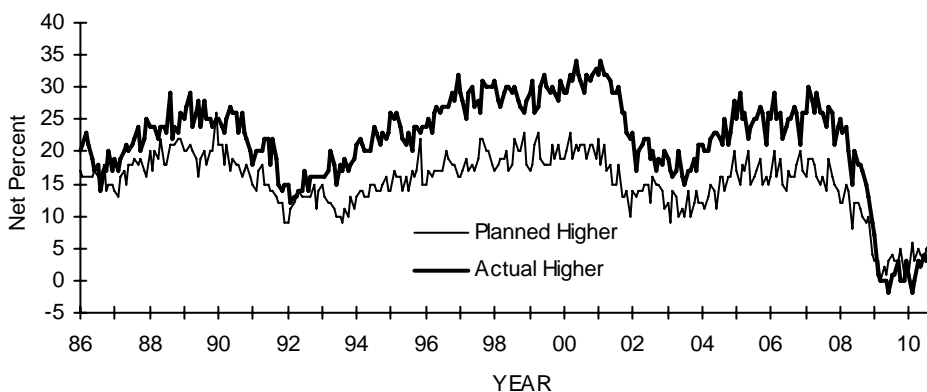
Net Percent (“Increase” Minus “Decrease”) in the Next Three Months  
(Seasonally Adjusted)

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

## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to August 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
<b>2005</b>	25	29	25	26	22	24	25	25	27	26	21	26
<b>2006</b>	25	24	22	27	24	22	24	25	28	23	25	21
<b>2007</b>	26	30	28	26	29	26	27	24	27	26	21	24
<b>2008</b>	25	23	24	20	15	20	18	18	17	15	13	9
<b>2009</b>	7	1	0	0	0	-2	1	1	3	0	0	3
<b>2010</b>	1	-2	0	3	2	4	3	3				

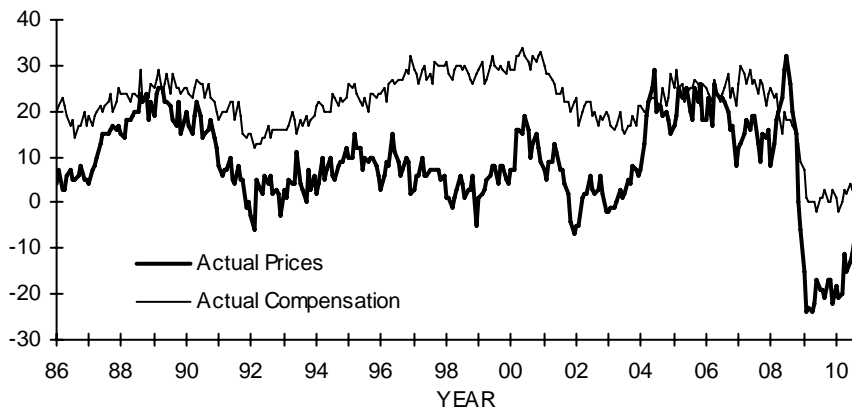
### COMPENSATION PLANS

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

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

### PRICES AND LABOR COMPENSATION

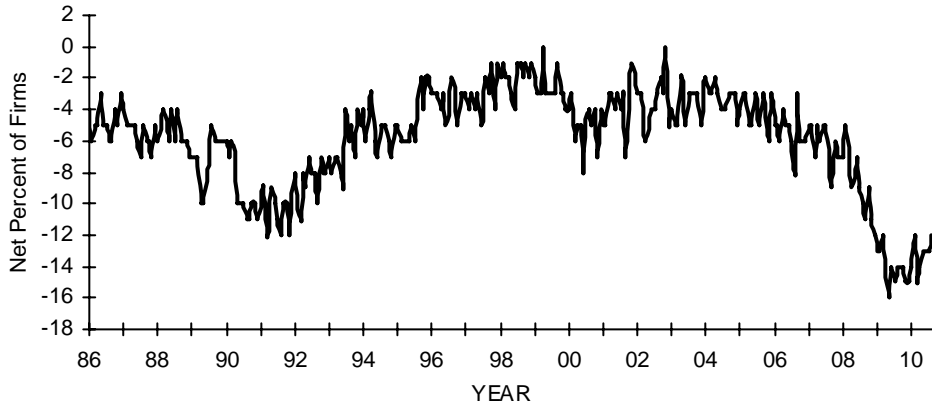
Net Percent Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January 1986 to August 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
<b>2005</b>	36	35	37	39	40	39	34	40	36	34	38	34
<b>2006</b>	37	38	36	40	38	41	38	46	35	37	38	35
<b>2007</b>	37	39	35	37	38	35	36	35	36	36	32	34
<b>2008</b>	36	34	33	36	35	35	34	34	32	33	31	33
<b>2009</b>	35	36	33	33	34	30	33	32	33	33	33	33
<b>2010</b>	32	34	35	31	32	29	32	31				

## 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
<b>2005</b>	-4	-3	-3	-5	-5	-3	-4	-5	-3	-4	-6	-3
<b>2006</b>	-5	-5	-6	-4	-5	-5	-6	-8	-3	-6	-6	-6
<b>2007</b>	-5	-5	-7	-5	-6	-5	-5	-7	-9	-6	-7	-7
<b>2008</b>	-7	-5	-7	-9	-8	-7	-9	-10	-11	-9	-11	-12
<b>2009</b>	-13	-13	-12	-14	-16	-14	-15	-14	-14	-14	-15	-15
<b>2010</b>	-14	-12	-15	-14	-13	-13	-13	-12				



## 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  
(All Borrowers)

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

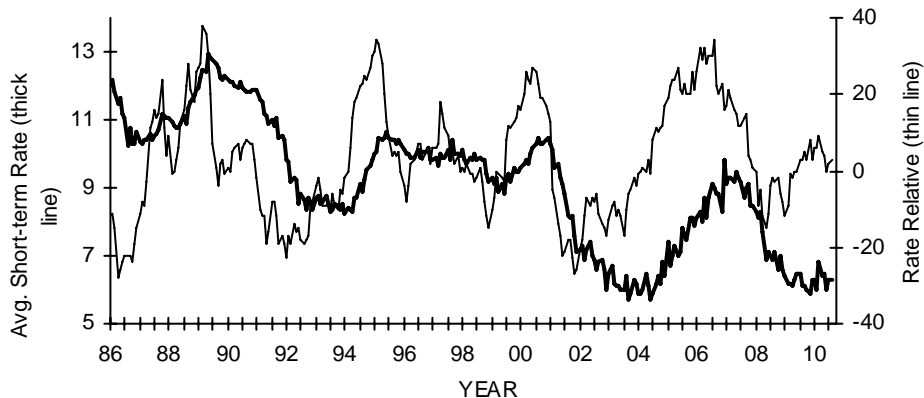
### EXPECTED CREDIT CONDITIONS

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

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

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January 1986 to August 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
<b>2005</b>	19	22	24	24	27	21	20	23	20	20	26	21
<b>2006</b>	26	32	29	32	28	30	30	34	22	20	23	16
<b>2007</b>	17	21	19	16	15	12	12	14	15	4	3	1
<b>2008</b>	0	-9	-5	-12	-15	-11	-4	-2	-3	-2	-6	-8
<b>2009</b>	-12	-9	-1	-2	0	0	3	3	5	3	8	3
<b>2010</b>	6	6	9	5	4	0	2	3				

*Borrowing at Least Once Every Three Months.*

### ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

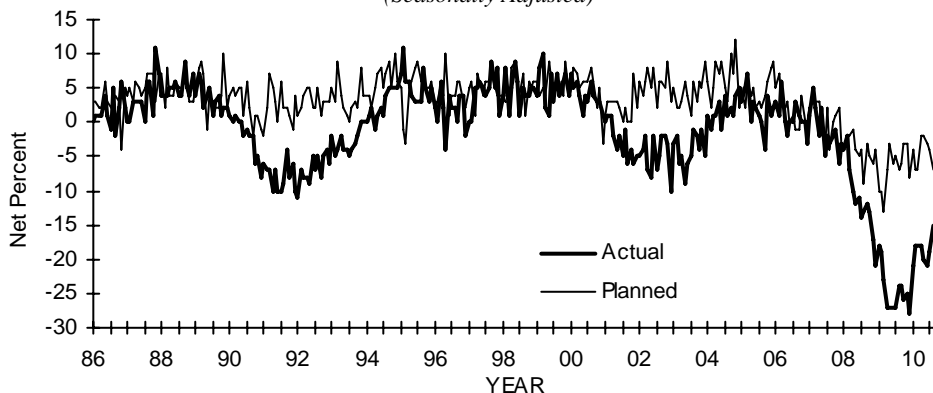
Average Interest Rate Paid

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

## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to August 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
<b>2005</b>	3	5	7	0	3	2	1	0	-4	4	1	2
<b>2006</b>	3	1	6	0	-2	0	0	3	1	0	0	-3
<b>2007</b>	1	5	2	-2	2	-5	-2	-3	-2	-1	-6	-3
<b>2008</b>	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21
<b>2009</b>	-18	-19	-23	-27	-27	-27	-27	-24	-24	-26	-25	-28
<b>2010</b>	-21	-18	-18	-18	-20	-21	-19	-15				

### 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
<b>2005</b>	-3	-2	1	-2	-3	-1	-2	-1	1	-2	-1	-3
<b>2006</b>	-1	-2	0	-1	-1	-1	-2	-6	-6	-3	-6	-7
<b>2007</b>	-2	-2	-5	-3	-6	-7	-2	-2	-3	-7	-3	-3
<b>2008</b>	-4	-4	-1	-1	-3	-1	-4	-3	-1	-4	-4	-7
<b>2009</b>	-6	-5	-4	-5	-2	-5	-4	-4	0	-3	-2	-4
<b>2010</b>	-1	-1	-1	1	0	-1	0	-1				

### INVENTORY PLANS

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

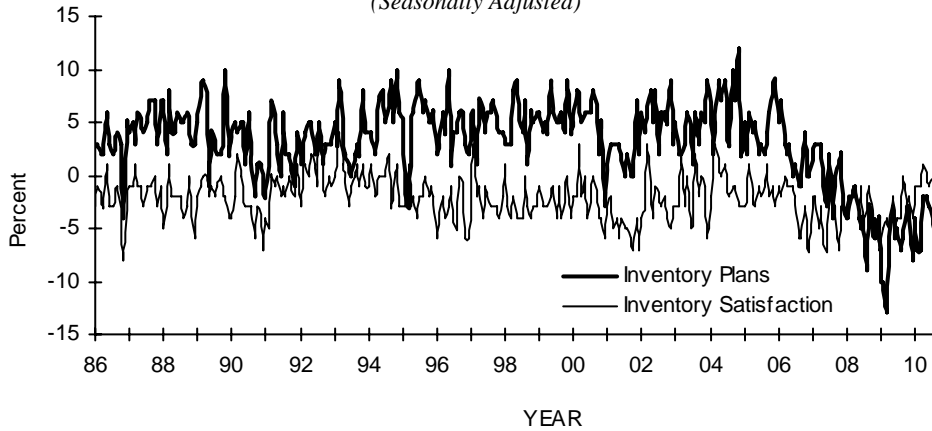
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	5	2	6	4	5	2	3	2	4	6	8	9
<b>2006</b>	5	7	3	2	3	0	1	-1	-1	4	0	0
<b>2007</b>	2	3	3	3	0	-3	2	-4	0	1	2	-3
<b>2008</b>	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
<b>2009</b>	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
<b>2010</b>	-4	-7	-7	-2	2	-3	-4	-7				



# SMALL BUSINESS CAPITAL OUTLAYS

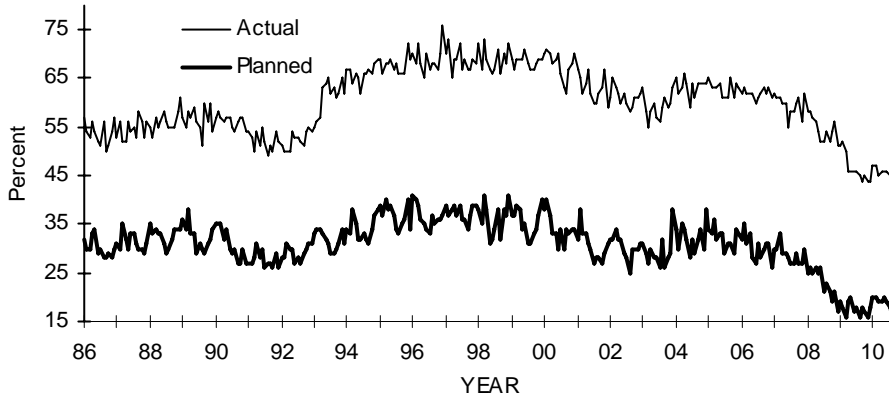
## INVENTORY SATISFACTION AND INVENTORY PLANS

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 1986 to August 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
<b>2005</b>	65	63	63	63	64	61	61	61	65	61	64	63
<b>2006</b>	62	63	62	62	62	60	61	62	63	62	63	61
<b>2007</b>	62	61	61	60	60	55	58	58	60	61	56	62
<b>2008</b>	58	58	57	56	54	52	52	54	52	54	56	51
<b>2009</b>	51	52	50	46	46	46	46	45	44	45	44	44
<b>2010</b>	47	47	45	46	46	46	45	44				



## 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	13	22
Equipment	29	31	39
Furniture or Fixtures	7	8	14
Add. Bldgs. or Land	2	4	4
Improved Bldgs. or Land	11	11	14

### 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	3	3
\$1,000 to \$4,999	8	8	10
\$5,000 to \$9,999	6	5	6
\$10,000 to \$49,999	14	16	18
\$50,000 to \$99,999	4	6	6
\$100,000 +	7	7	9
No Answer	1	0	1

### 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	16				



# SINGLE MOST IMPORTANT PROBLEM

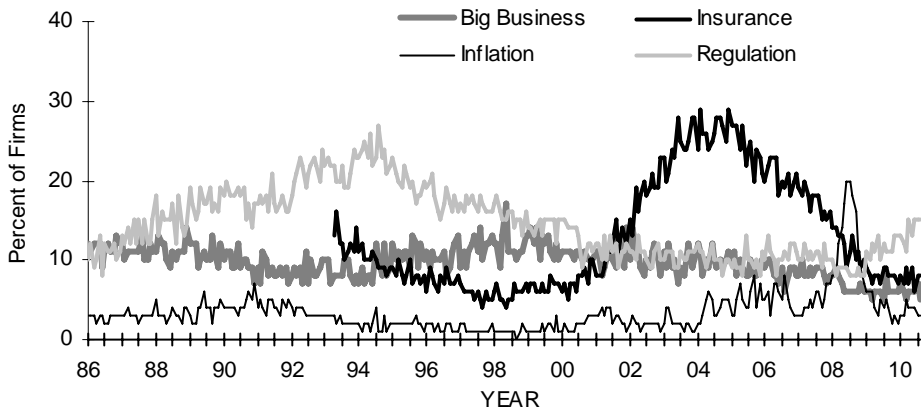
## SINGLE MOST IMPORTANT PROBLEM

August 2010

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	21	18	32	8
Inflation	3	5	41	0
Poor Sales	31	32	34	2
Fin. & Interest Rates	4	4	37	1
Cost of Labor	4	5	9	2
Govt. Reqs. & Red Tape	15	11	27	4
Comp. From Large Bus.	5	8	14	4
Quality of Labor	5	4	24	3
Cost/Avail. of Insurance	8	9	29	4
Other	4	4	31	1

## SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation  
January 1986 to August 2010



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality  
January 1986 to August 2010



# SURVEY PROFILE

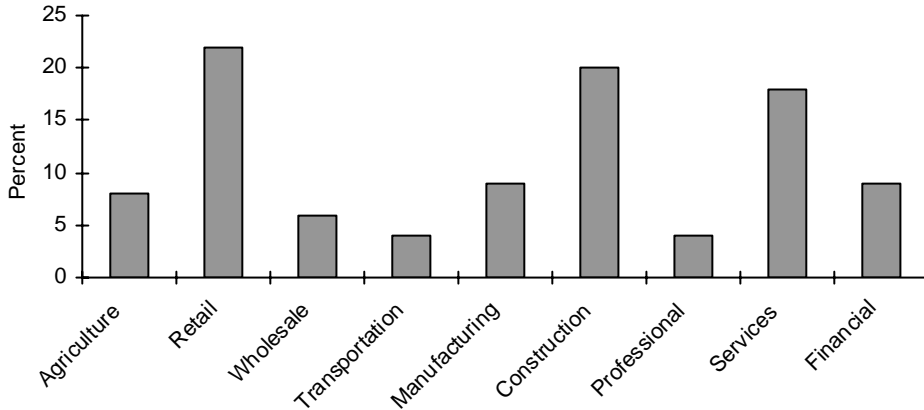
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	1239	495	409	1220	489	427	1116	499	423	1116	532	481
<b>2006</b>	1274	484	471	1094	440	416	1007	480	380	1075	451	446
<b>2007</b>	1755	750	737	1703	618	589	1613	720	674	1614	719	670
<b>2008</b>	1845	700	735	1768	737	703	1827	812	743	1992	826	805
<b>2009</b>	2013	846	867	1794	814	758	1994	882	827	2059	825	830
<b>2010</b>	2114	799	948	2176	823	804	2029	874				

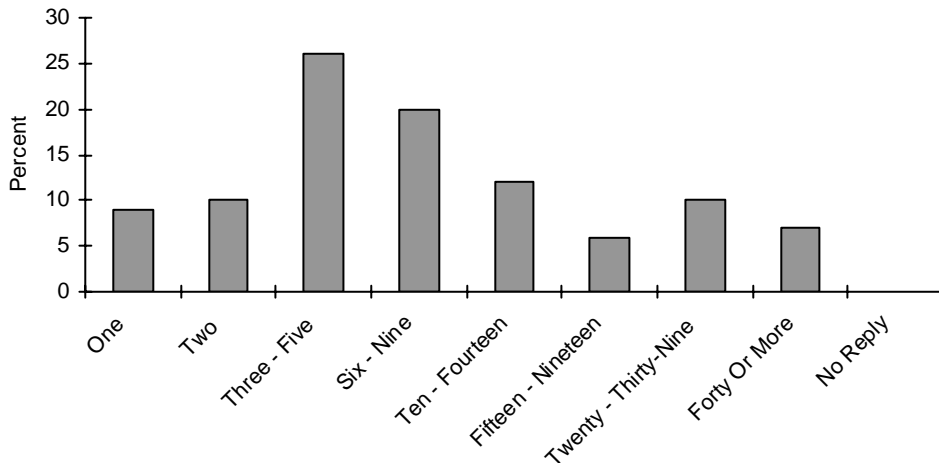
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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

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SMALL BUSINESS SURVEY QUESTIONS	PAGE IN REPORT
<b>Do you think the next three months will be a good time for small business to expand substantially? Why? . . . . .</b>	<b>4</b>
<b>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? . . . . .</b>	<b>5</b>
<b>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? . . . . .</b>	<b>6</b>
<b>If higher or lower, what is the most important reason? . . . . .</b>	<b>6</b>
<b>During the last calendar quarter, was your dollar sales volume higher, lower, or about the same as it was for the quarter before? . . . . .</b>	<b>7</b>
<b>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? . . . . .</b>	<b>7</b>
<b>How are your average selling prices compared to three months ago? . . . . .</b>	<b>8</b>
<b>In the next three months, do you plan to change the average selling prices of your goods and/or services? . . . . .</b>	<b>8</b>
<b>During the last three months, did the total number of employees in your firm increase, decrease, or stay about the same? . . . . .</b>	<b>9</b>
<b>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)? . . . . .</b>	<b>9</b>
<b>Do you have any job openings that you are not able to fill right now? . . . . .</b>	<b>10</b>
<b>In the next three months, do you expect to increase or decrease the total number of people working for you? . . . . .</b>	<b>10</b>
<b>Over the past three months, did you change the average employee compensation? . . . . .</b>	<b>11</b>
<b>Do you plan to change average employee compensation during the next three months? . . . . .</b>	<b>11</b>



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SMALL BUSINESS SURVEY QUESTIONS

PAGE IN REPORT

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