



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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February 2012

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	5%	-1	*
Plans to Make Capital Outlays	24%	0	*
Plans to Increase Inventories	-3%	-5	*
Expect Economy to Improve	-3%	5	*
Expect Real Sales Higher	10%	1	*
Current Inventory	1%	1	*
Current Job Openings	18%	3	*
Expected Credit Conditions	-9%	0	*
Now a Good Time to Expand	9%	-1	*
Earnings Trend	-24%	-2	*
Total Change		1	*

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 0.1 points, to 93.9, so basically unchanged from December. Index readings from January and February 2011 were higher, so we are still below where we were a year ago even though the Index has risen five months in a row. Except for January and February of 2011, the current Index is the highest reading since December 2007 when the economy peaked. But, in spite of the progress made in the past few months, the fact is that it still remains at recession level readings.

## **LABOR MARKETS**

NFIB reports of job growth improved from December, but only to a net increase in workers per firm of “0”, up 0.15. Not much job creation in that number. Seasonally adjusted, 11 percent of the owners added an average of 3.0 workers per firm over the past few months, while 11 percent reduced employment an average of 2.9 workers per firm. Forty-one percent of owners hired or tried to hire in the past 3 months, but 31 percent reported few or no qualified applicants for the position(s) – three of four applicants were not qualified. Eighteen (18) percent (seasonally adjusted) reported hard to fill job openings, up 3 points and the highest reading since June 2008, just before economic growth crashed. Over the next three months, 13 percent plan to increase employment (up 4 points), and 7 percent plan to reduce their workforce (down 1 point), yielding a seasonally adjusted net 5 percent of owners planning to create new jobs, a 1 point decline from December. There is no surge in hiring indicated by these numbers, leaving employment gains far short of the level needed to significantly reduce unemployment and under-employment.

## **CAPITAL SPENDING**

The frequency of reported capital outlays over the past 6 months lost one point, declining to 55 percent, retaining the solid gain posted in December. Overall, the spending picture has improved, but still far short of “normal”. The percent of owners planning capital outlays in the next 3 to 6 months held at 24 percent, the highest reading in years. These are better readings, but still 10 points lower than typically seen in an expanding economy. Money is available, but most owners are not interested in a loan to finance the purchase of equipment they don’t need. Nine percent characterized the current period as a good time to expand facilities (seasonally adjusted), down 1 point and one of the best readings since the start of the financial crisis. The net percent of owners expecting better business conditions in 6 months was a negative 3 percent, 5 points better than December but still 13 percentage points below last year’s reading. Hopefully, this improvement in the economic outlook will translate into more spending and hiring.

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This survey was conducted in January 2012. A sample of 10,799 small-business owners/members was drawn. Two thousand one hundred fifty-five (2155) usable responses were received – a response rate of 20 percent.



# SUMMARY

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## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales over the past 3 months gained 1 point, rising to a net negative 6 percent, still more firms with sales trending down than up. Even with the improvements in retail sales in recent months, 22 percent of the owners still reported “weak sales” as their top business problem. The net percent of owners expecting higher real sales gained 1 point to a net 10 percent of all owners (seasonally adjusted) after posting an 8 point improvement in November and 5 points in December. Solid moves, but leaving the indicators still in recession territory. A net negative 7 percent of all owners reported growth in inventories (seasonally adjusted), 3 points better than December. For all firms, a net 1 percent (up 1 point) reported stocks too low, a very “satisfied” reading based on survey history. Overall, it appears that small business owners have reduced inventories to acceptable levels given the outlook for sales growth. Without improved sales, there is little motivation to order new inventory stocks. Plans to add to inventories lost 5 points to a net negative 3 percent of all firms (seasonally adjusted), falling from the December reading which was the best reading in 18 months.

## INFLATION

Eighteen (18) percent of the NFIB owners reported raising their average selling prices in the past 3 months (up 1 point), and 17 percent reported price reductions (down 1 point). Seasonally adjusted, the net percent raising selling prices was -1 percent, down a point from December. Twenty-three (23) percent plan on raising average prices in the next few months, 3 percent plan reductions. Seasonally adjusted, a net 17 percent plan price hikes up 3 points. With some evidence that spending has picked up, some of these price hikes might stick.

## PROFITS AND WAGES

Reports of positive earnings trends were 2 points worse in January at a net negative 24 percent of all owners taking back part of the 6 point improvement registered in December. Unable to raise prices and with weak sales growth, small businesses are unable to restore profitability. Profits are the source of capital to grow small firms (they can’t sell shares to shareholders to provide new capital), so weak profits are hindering improved capital spending in this sector of the economy. Four percent reported reduced worker compensation and 14 percent reported raising compensation, yielding a seasonally adjusted net 12 percent reporting higher worker compensation, the highest reading since November 2008.

## CREDIT MARKETS

Four percent reported financing as their #1 business problem. Nine percent reported that not all of their credit needs were satisfied (the record low is 4 percent, reached in 2000). Thirty (30) percent of all owners reported borrowing on a regular basis, down 1 point and only 2 points above the record low. A net 11 percent reported loans “harder to get” compared to their last attempt (asked of regular borrowers only), up 1 point.



# COMMENTARY

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From the perspective of NFIB owners, 2011 was a flat year at best. The Index of Small Business Optimism stood at 94.1 in January 2011 and 93.9 in January 2012, after dipping as low as 88.1 in August of 2011. The best that can be said is that the year ended on an upbeat note, with 5 months of improvement if January's 0.1 gain is regarded as an improvement. For perspective, the Index stood at 94.6 in December 2007 as the economy slipped into recession.

The prospects for resolving the major uncertainties facing small business owners in 2012 are low. Government spending surges ahead, undisciplined without a federal budget for over 1,000 days which is no way to run the largest "business" in the world, USA, Inc. Tax issues remain unresolved and spending issues unaddressed. In the meantime, the President moves ahead, using executive orders to implement policies that many believe are the responsibility of Congress.

The Federal Reserve Bank officially announced an inflation target, setting a goal for one of its twin policy mandates. The inflation rate target will be 2 percent as measured by the Personal Consumption Deflator. It was a surprise to many that it did not choose the "core" PCE inflation rate which excludes volatile food and energy prices. Headline inflation rates are more volatile, leaving a question as to how much "volatility" in policy might be required to deal with energy price swings. Since no other details were made available, many important questions go unanswered. It is important to know over what period of time the Federal Reserve must hit the 2 percent target, what the "penalty" is for failing to do so, and how policy directed at "price stability" will be impacted by an unspecified unemployment rate objective. We are a long way from what most observers would accept as a reasonable level of the unemployment rate, so how far above the 2 percent inflation target will the Federal Reserve go in an attempt to lower unemployment. If they specify a time period over which the 2 percent inflation target is to be met, but as we near the end of that period, inflation is well above the target, must the Federal Reserve "hammer" the economy to meet it? Currently, the PCE inflation rate is above the 2 percent target, so tightening would be the order of the day – except that the unemployment rate is 8.3 percent, well above the secret unemployment rate target, which begs for more monetary expansion, a QE3. Go figure, that's what everyone is doing.

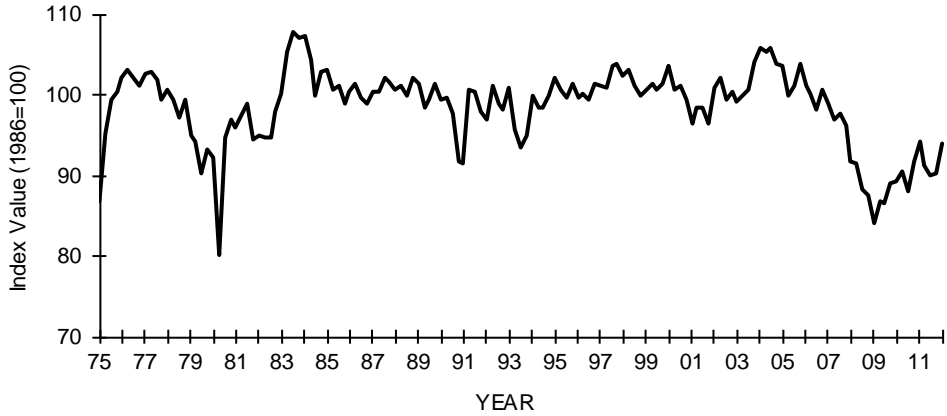
So, overall, the January NFIB survey indicates that the economy will continue to crawl along at a sub-par pace. There appears to be no pressure on prices at the core level, energy is the wild card. Wage growth is picking up, but slowly. The net increase in jobs of "0" is not promising for job creation nor was the decline in the net percent of owners planning job creation. The increase in the percent of owners with hard to fill job openings does indicate that job markets are tightening somewhere, and correctly anticipated a decline in the unemployment rate. There was no exuberance in capital spending, but the improved levels reached at the end of 2011 held up. So, "muddle through" seems to best characterize the first half of the year. Too much uncertainty with little prospect of much resolution.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

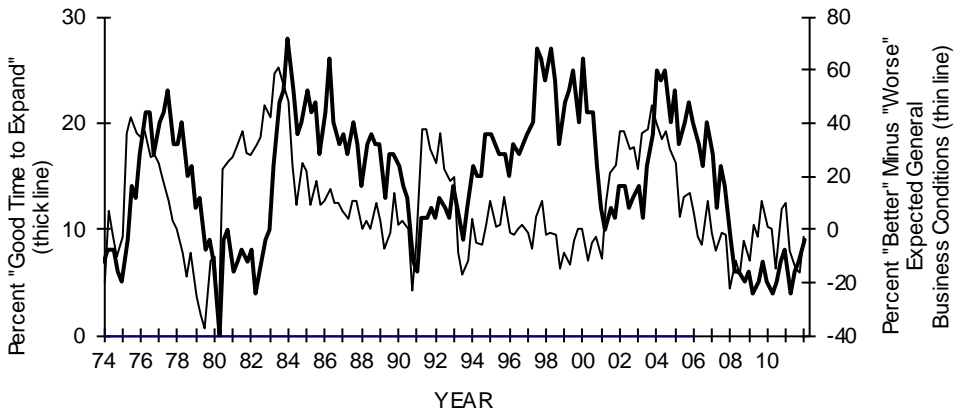
Based on Ten Survey Indicators  
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	87.8	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	89.0	91.7	93.2	92.6
<b>2011</b>	94.1	94.5	91.9	91.2	90.9	90.8	89.9	88.1	88.9	90.2	92.0	93.8
<b>2012</b>	93.9											

## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January Quarter 1974 to January Quarter 2012  
(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>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	6	7	9	8
<b>2011</b>	8	7	5	4	5	4	6	5	6	7	8	10
<b>2012</b>	9											

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
January 2012

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	3	39	15
<b>Sales Prospects</b>	3	5	2
<b>Fin. &amp; Interest Rates</b>	1	1	1
<b>Cost of Expansion</b>	0	3	2
<b>Political Climate</b>	0	12	6
<b>Other/Not Available</b>	1	2	2

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

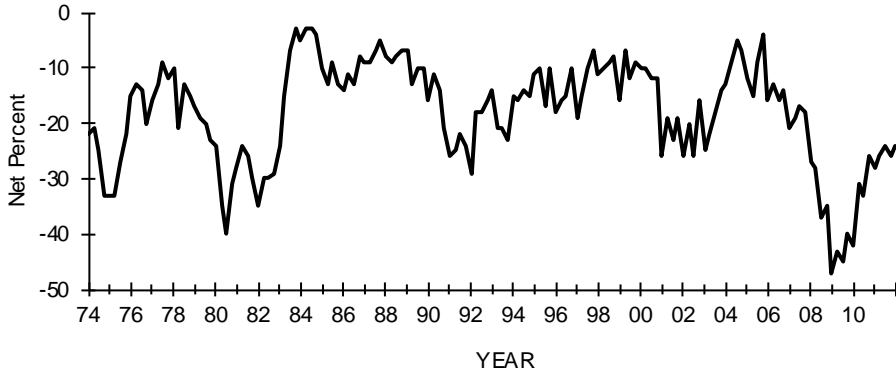
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-4
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9	-8	0	8	-6	-15	-8	-3	8	16	9
<b>2011</b>	10	9	-5	-8	-5	-11	-15	-26	-22	-16	-12	-8
<b>2012</b>	-3											



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January Quarter 1974 to January Quarter 2012  
(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>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	-33	-26	-30	-34
<b>2011</b>	-28	-27	-32	-26	-24	-24	-24	-26	-27	-26	-28	-22
<b>2012</b>	-24											

## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
January 2012

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	18	22	32
<b>Increased Costs*</b>	9	9	8
<b>Cut Selling Prices</b>	3	3	3
<b>Usual Seasonal Change</b>	6	6	6
<b>Other</b>	3	4	6

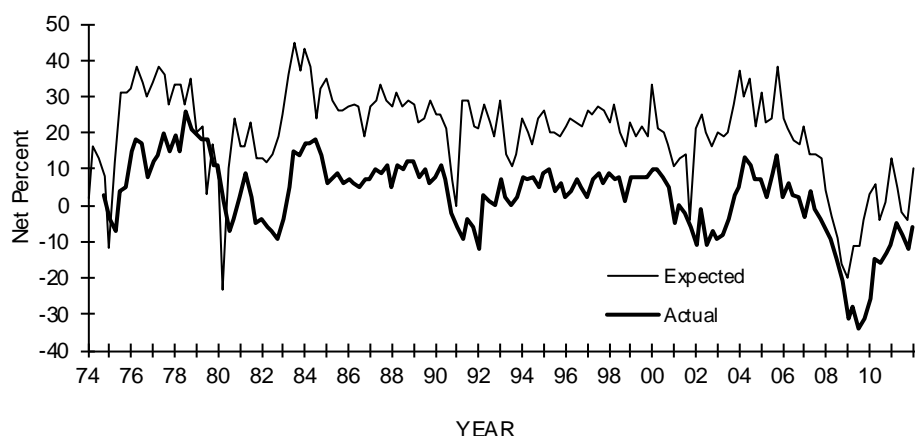
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)  
*January 1974 to January 2012 (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>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	-17	-13	-15	-16
<b>2011</b>	-11	-11	-12	-5	-9	-7	-8	-9	-10	-12	-11	-7
<b>2012</b>	-6											



## SALES EXPECTATIONS

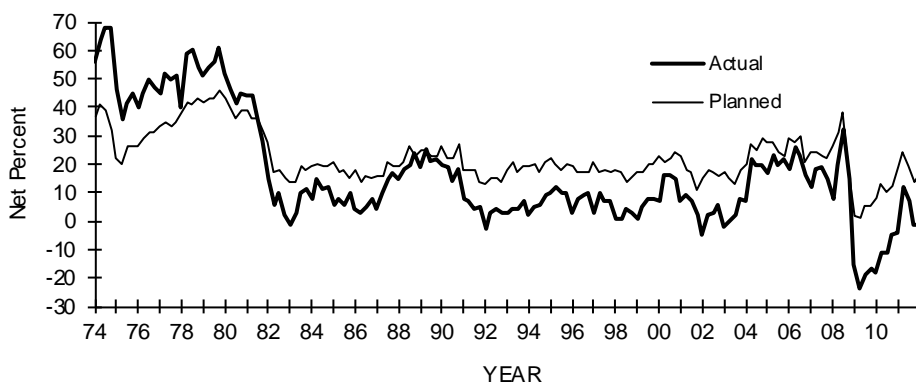
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
*(Seasonally Adjusted)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-3	1	6	8
<b>2011</b>	13	14	6	5	3	0	-2	-12	-6	-4	4	9
<b>2012</b>	10											

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January Quarter 1974 to January Quarter 2012  
 (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>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	-11	-5	-4	-5
<b>2011</b>	-4	5	9	12	15	10	7	1	6	-1	0	0
<b>2012</b>	-1											

## 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>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	7	12	13	15
<b>2011</b>	19	21	24	24	23	15	19	16	14	14	15	14
<b>2012</b>	17											



# 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>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	-3	-6	-2	-1
<b>2011</b>	-4	-2	-4	-6	-3	-7	-2	-2	-5	0	2	1
<b>2012</b>	0											

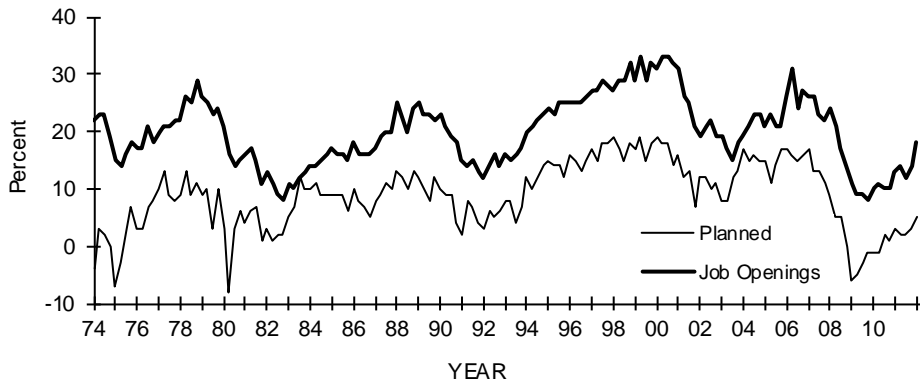
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	32	30	28	27	28
<b>2011</b>	28	30	29	32	30	33	31	33	34	31	35	34
<b>2012</b>	31											

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January Quarter 1974 to January Quarter 2012  
(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>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	11	10	9	13
<b>2011</b>	13	15	15	14	12	15	12	15	14	14	16	15
<b>2012</b>	18											

## HIRING PLANS

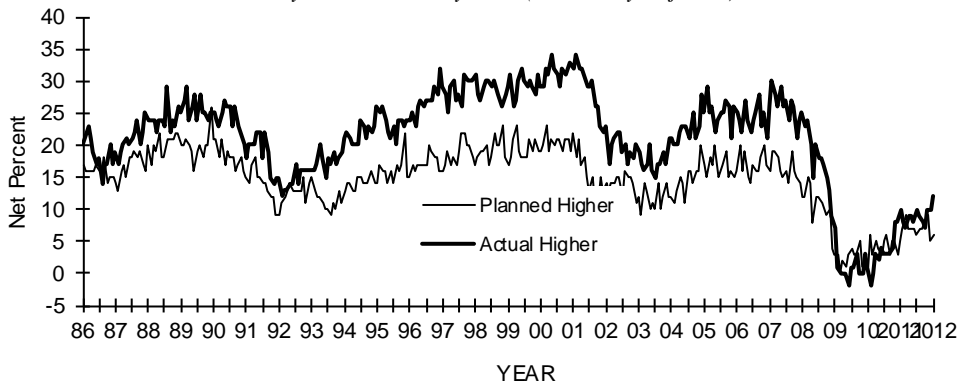
Net Percent (“Increase” Minus “Decrease”) in the Next Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-3	1	4	6
<b>2011</b>	3	5	2	2	-1	3	2	5	4	3	7	6
<b>2012</b>	5											

## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to January 2012 (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>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	3	4	8	8
<b>2011</b>	10	8	7	9	9	8	10	9	8	7	10	10
<b>2012</b>	12											

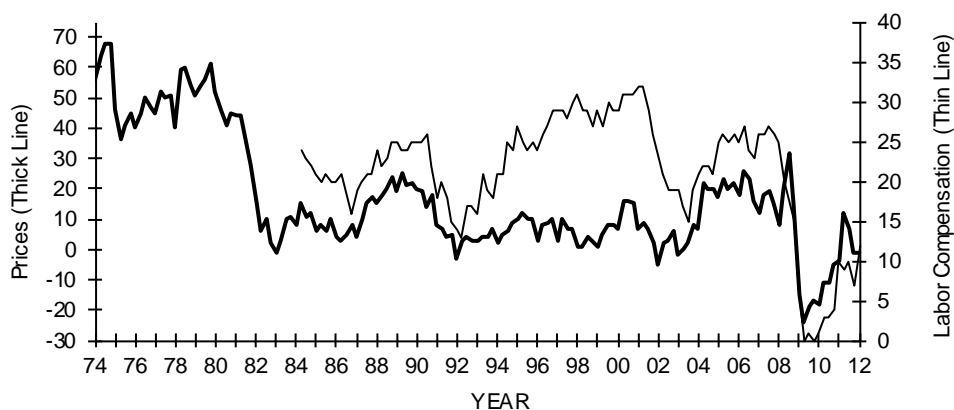
### COMPENSATION PLANS

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>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	3	5	5	3
<b>2011</b>	5	7	9	7	7	7	6	7	7	8	9	5
<b>2012</b>	6											

### PRICES AND LABOR COMPENSATION

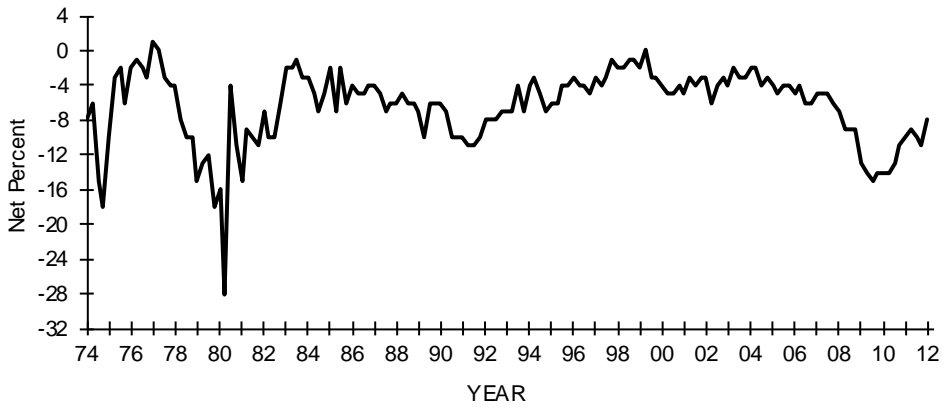
Net Percent Price Increase and Net Percent Compensation Increase  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January Quarter 1974 to January Quarter 2012



\* 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>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	33	31	28	30
<b>2011</b>	31	31	29	32	29	29	30	32	31	30	34	31
<b>2012</b>	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
<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	-14	-11	-11	-12
<b>2011</b>	-10	-11	-8	-9	-10	-9	-10	-13	-10	-11	-10	-8
<b>2012</b>	-8											

## 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
<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	27/9	26/9	25/9	28/9
<b>2011</b>	28/8	29/8	28/7	28/8	28/8	25/9	28/8	28/7	29/8	28/9	30/7	29/7
<b>2012</b>	30/7											

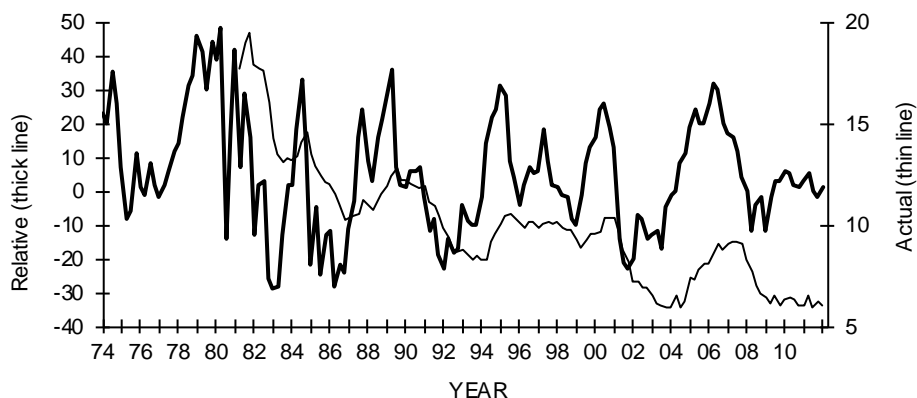
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-14	-12	-10	-11
<b>2011</b>	-10	-10	-9	-13	-11	-10	-11	-13	-12	-11	-10	-9
<b>2012</b>	-9											

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January Quarter 1974 to January Quarter 2012



## 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>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	1	1	0	1
<b>2011</b>	3	6	5	5	3	0	0	1	1	-2	-1	-3
<b>2012</b>	1											

\*Borrowing at Least Once Every Three Months.

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

Average Interest Rate Paid

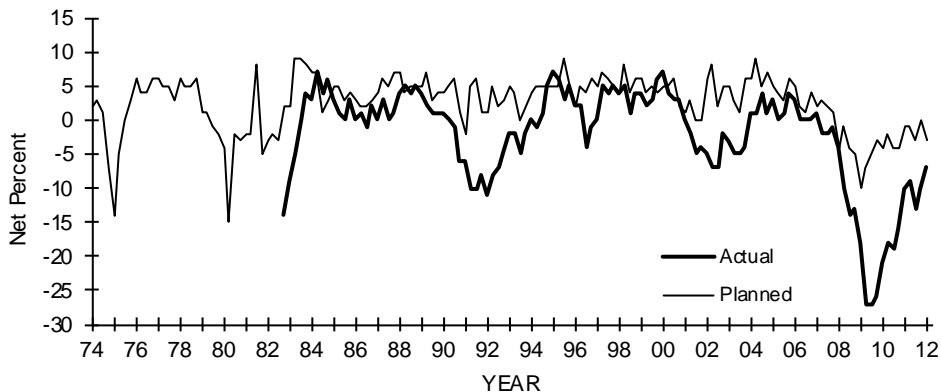
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
<b>2009</b>	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3
<b>2010</b>	6.3	6.0	6.8	6.4	6.5	6.0	6.3	6.3	6.2	6.0	5.7	6.2
<b>2011</b>	6.0	6.0	5.9	6.5	6.0	6.0	5.9	6.1	6.1	6.2	5.7	6.2
<b>2012</b>	6.0											



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January Quarter 1974 to January Quarter 2012  
(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>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	-14	-16	-15	-13
<b>2011</b>	-10	-8	-7	-9	-13	-14	-13	-9	-11	-10	-10	-10
<b>2012</b>	-7											

### 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>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	-2	1	-3	-3
<b>2011</b>	0	2	-1	1	-1	-1	0	1	-1	0	-1	0
<b>2012</b>	1											

### INVENTORY PLANS

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

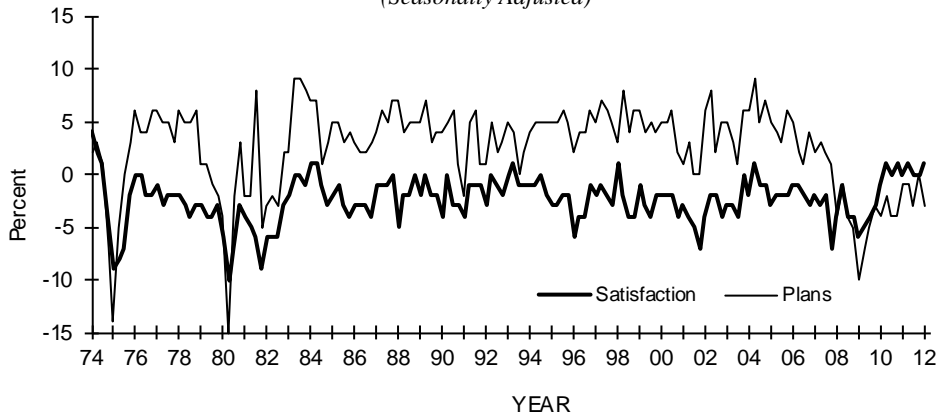
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2007</b>	2	3	3	3	0	-3	2	-4	0	1	2	-3
<b>2008</b>	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
<b>2009</b>	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
<b>2010</b>	-4	-7	-7	-2	2	-3	-4	-7	-3	-4	0	-3
<b>2011</b>	-1	-2	1	-1	-3	-3	-3	-5	-2	0	0	2
<b>2012</b>	-3											



# SMALL BUSINESS CAPITAL OUTLAYS

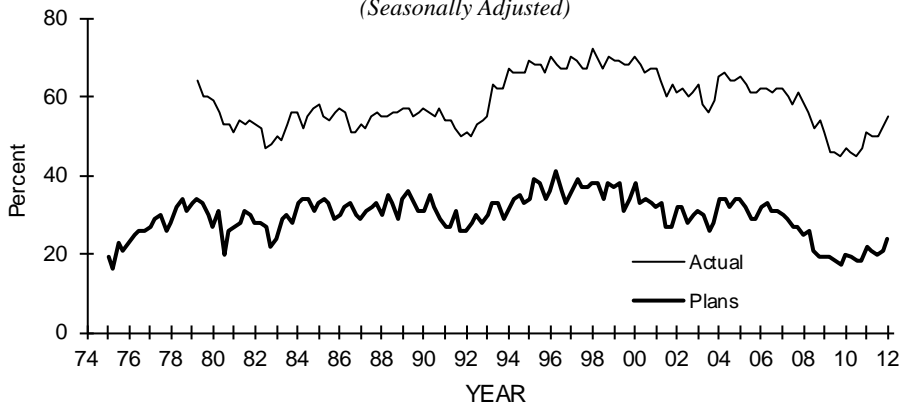
## INVENTORY SATISFACTION AND INVENTORY PLANS

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 January Quarter 2012  
*(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>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	45	47	51	47
<b>2011</b>	51	49	51	50	50	50	50	52	50	52	53	56
<b>2012</b>	55											



## 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	20	18	16
Equipment	38	35	32
Furniture or Fixtures	11	11	10
Add. Bldgs. or Land	6	4	3
Improved Bldgs. or Land	13	12	10

### 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	4
\$1,000 to \$4,999	8	10	9
\$5,000 to \$9,999	6	5	6
\$10,000 to \$49,999	16	17	16
\$50,000 to \$99,999	8	6	5
\$100,000 +	9	8	7
No Answer	2	1	0

### 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
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	19	18	20	21
2011	22	22	24	21	20	21	20	21	20	21	24	24
2012	24											



# SINGLE MOST IMPORTANT PROBLEM

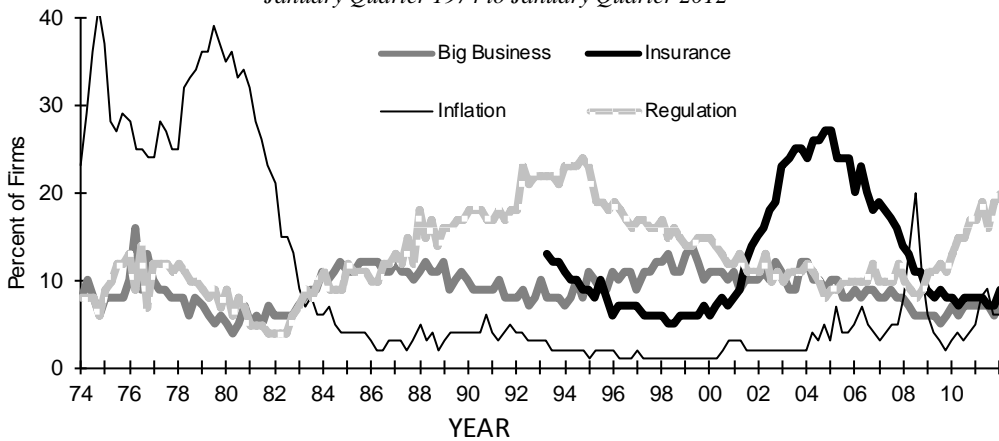
## SINGLE MOST IMPORTANT PROBLEM

January 2012

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	18	19	32	8
Inflation	6	5	41	0
Poor Sales	22	27	33	2
Fin. & Interest Rates	4	3	37	2
Cost of Labor	4	4	9	2
Govt. Regs. & Red Tape	20	17	27	4
Comp. From Large Bus.	8	7	14	4
Quality of Labor	6	5	23	3
Cost/Avail. of Insurance	9	8	29	4
Other	3	5	31	2

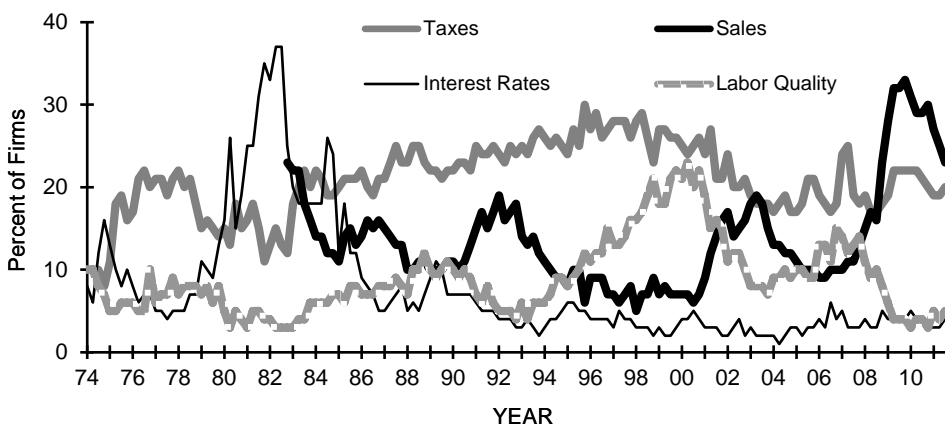
## SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation  
January Quarter 1974 to January Quarter 2012



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes  
January Quarter 1974 to January Quarter 2012



# SURVEY PROFILE

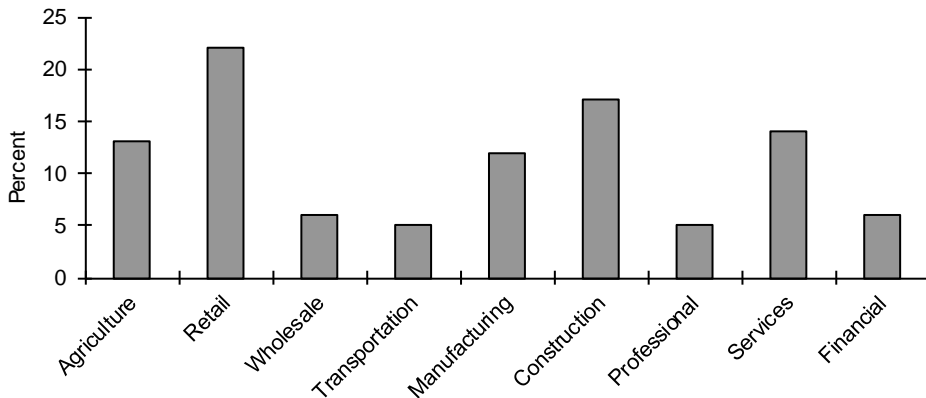
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	849	1910	807	804
<b>2011</b>	2144	774	811	1985	733	766	1817	926	729	2077	781	735
<b>2012</b>	2155											

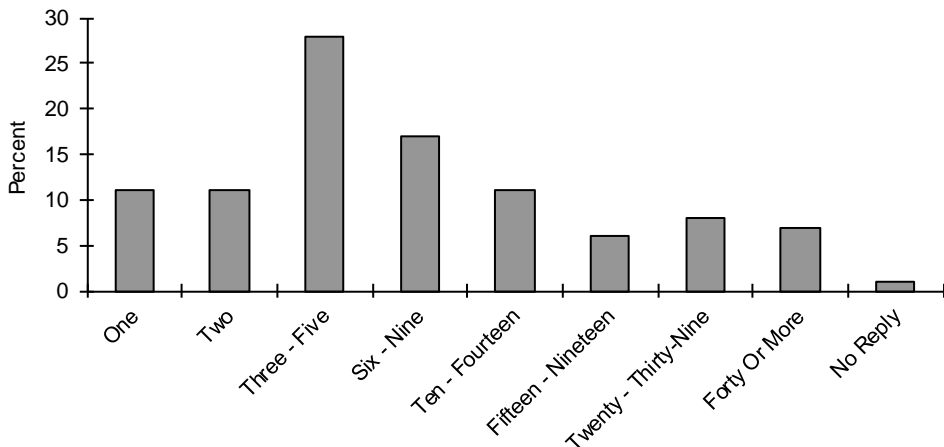
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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

<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>



**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**

