NFIB Small Business Economic Trends

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K_paf 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	2%	-1	*
Plans to Make Capital Outlays	21%	+/	*
Plans to Increase Inventories	0%	3	*
Expect Economy to Improve	-4%	+1	*
Expect Real Sales Higher	10%	0	*
Current Inventory	0%	/	*
Current Job Openings	15%	+/	*
Expected Credit Conditions	+/ .%	+/	*
Now a Good Time to Expand	6%	+/	*
Earnings Trend	-/7%	3	*
Total Change		3	*

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 Small-Business Optimism Index gained 0.4 points in February to 94.3 marking the 6th consecutive month of gains. While still historically low, the latest increase is a sign that the recovery is likely to continue. The Index is lower than that of February 2011 but the 2nd highest reading since December 2007, the beginning of the recession. The report suggests that in February, owners became slightly more pessimistic about the outlook for business conditions but more optimistic about future sales growth, making the reading mixed bag, but mostly headed in the right direction.

LABOR MARKETS

The net change in employment per firm seasonally adjusted was 0.11, much better than January's "0" reading. The increase certainly shows some real job creation. The percent of owners reporting hard to fill job openings fell 1 point to 17 percent, the second best reading since September 2008. The net percent of owners planning to create new jobs fell 1 point to 4 percent (seasonally adjusted), the third monthly decline. In a decent expansion, job creation plans would be in double digits. From the start of the expansion in July 2009, job creation plans have lagged all other recovery periods, including the "jobless recovery" in 2001 where employment losses were relatively small to begin with.

CAPITAL SPENDING

The frequency of reported capital outlays over the past 6 months rose 2 points to, 57 percent, building on the solid gain posted in December. and January. The record low of 44 percent was reached most recently in August 2010. The percent of owners planning capital outlays in the next 3 to 6 months fell a point to 23 percent, still one of the highest readings in years. Eight percent characterized the current period as a good time to expand facilities (seasonally adjusted), down 1 point but one of the best readings since December 2007.

INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales over the past 3 months lost 1 point, falling to a net negative 7 percent, still more firms with sales trending down than up. The net percent of owners expecting higher real sales gained 2 points to a net 12 percent of all owners (seasonally adjusted) but still 2 points below a year ago. For all firms, a net 2 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. This is good news for economic growth, as more firms will be ordering new inventory to satisfy customers who are gradually increasing in numbers. A net 0 percent of all owners reported growth in inventories (seasonally adjusted), 7 points better than January. This is the best reading in years, following 56 months during which more firms reported cutting inventories than adding to stocks.

This survey was conducted in February 2012. A sample of 3,938 small-business owners/members was drawn. Eight hundred nineteen (819) usable responses were received – a response rate of 21 percent.

INFLATION

Seasonally adjusted, a net 19 percent plan price hikes, up 2 points. Price cutting appears to be fading and this will put upward pressure on the inflation measures. Seasonally adjusted, the net percent raising selling prices was 1 percent, up 2 points from January. The Federal Reserve is counting on low inflation to bolster its position that current policy is appropriate for the next year or two. Inflation as measured by the PCE deflator (the world will have to replace the CPI with the PCE, the new base for the target rate) is already above the official target. There is no target for the unemployment rate (gratefully!), but at 8.3 percent, most all would agree it is well above any target that might be characterized as "full employment." This will be the justification for maintaining current policy.

EARNINGS AND WAGES

Reports of positive earnings trends gained 5 points in February, rising to a net negative 19 percent. This is the best reading since October 2007. Profits are an important source of capital to grow small firms, so this improvement in profit trends is a welcome development. Three percent reported reduced worker compensation and 19 percent reported raising compensation, yielding a seasonally adjusted net 14 percent reporting higher worker compensation, the highest reading in 39 months. A seasonally adjusted net 12 percent plan to raise compensation in the coming months, double January's reading and a sign that compensation is starting to improve. This is certainly good news for employees.

CREDIT MARKETS

Financing remained low on the list of concerns for business owners. Only 4 percent cited financing as their top business problem, compared to 21 percent each citing taxes and unreasonable regulation and red tape and 22 percent citing weak sales. Ninety-three percent reported that all their credit needs were met or that they were not interested in borrowing. Thirty-one (31) percent reported all credit needs met, seven percent reported that not all of their credit needs were satisfied (the record low is 4 percent, reached in 2000), and 50 percent said they did not want a loan, (62 percent including those who did not answer the question, presumably uninterested in borrowing as well). Thirty-two (32) percent of all owners reported borrowing on a regular basis, unchanged from January. A net 8 percent reported loans "harder to get" compared to their last attempt (asked of regular borrowers only), also unchanged. The average rate paid on short maturity loans was 5.8 percent, stuck at much the same level for years. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted negative 10 percent (more owners expect that it will be "harder" to arrange financing than easier), 1a point worse than January.

COMMENTARY

The Index posted its 6th monthly gain, but it is still 0.2 points below its level in February 2011. No progress here, even with a six month positive trend. The good news is that things are getting better, although improving at a glacial pace. The jobs numbers are looking better, but with such unusual weather, one is never sure just what the seasonal adjustments are doing to the measures. The NFIB statistics for its 350,000 members do indicate that jobs are finally being created, but again, at a slow pace. Adding millions to our population over the past few years certainly helps lift the need for workers, as well as for provide them.

NFIB inflation numbers are benign retrospectively, with a net 1 percent of owners raising prices. But, 1 in 5 plan to raise prices over the coming months and if those stick, the numbers will get worse for those hoping for low inflation. The price of gasoline is a wild card going forward now that the Federal Reserve has set its inflation target based on the headline PCE (personal consumption expenditures) inflation rate and not the core which excludes food and energy. Of course the Federal Reserve can argue that any surge in inflation driven by gas prices will be temporary, the argument used to justify using core inflation measures, and thus not relevant to policy determination.

It appears that the adjustment of inventories to lower consumer spending is about done. As many firms reported increasing stocks as reported declines, the best reading since 2007. And those reporting stocks “too low” exceed those reporting “too high” by 2 percentage points, one of the best readings over the history of the survey. Stocks are lean and more firms plan to add to stocks than plan to reduce them.

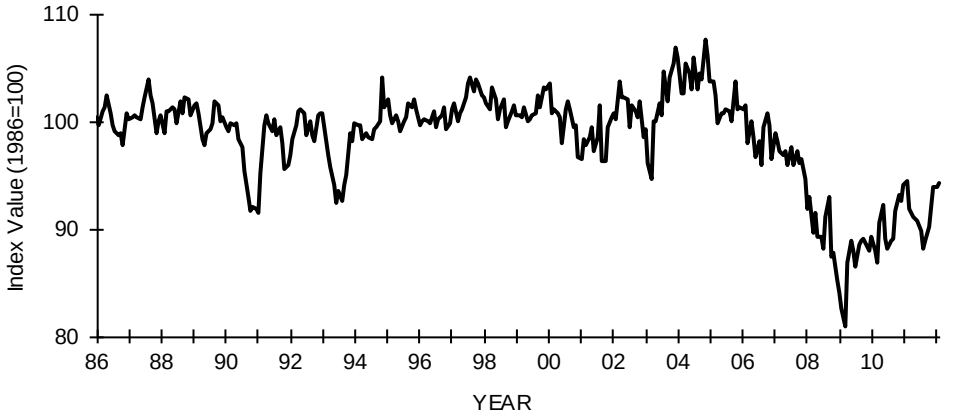
Reports of capital spending continue to improve, although the percent of owners characterizing the current period as a good time to expand fell and remains low. Over the 4 years of recession and weak recovery, stuff wears out, roofs leak, etc. and this prompts more capital spending. But there is no exuberance there as plans to make outlays in the future fell a bit.

Bottom line, the economy is holding on to tenuous gains, moving ahead in fits and starts which, hopefully, average out to a positive growth number. First quarter growth will not likely match that of the fourth quarter, 2011, but will remain positive. In the meantime, we will crawl toward the November election to get a clearer picture of our future.

OVERVIEW - SMALL BUSINESS OPTIMISM

OPTIMISM INDEX

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



OPTIMISM INDEX

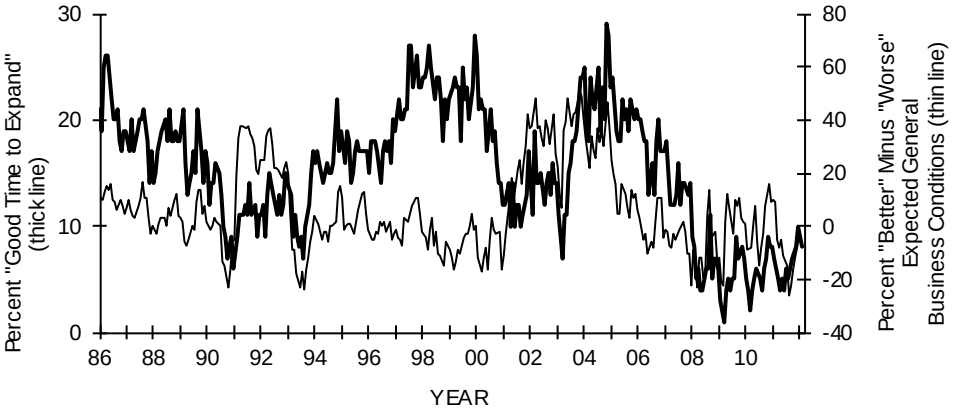
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	87.9	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	88.8	89.0	91.7	93.2	92.6
2011	94.1	94.5	91.9	91.2	90.9	90.8	89.9	88.1	88.9	90.2	92.0	93.8
2012	93.9	94.3										

SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January 1986 to February 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
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	4	6	7	9	8
2011	8	7	5	4	5	4	6	5	6	7	8	10
2012	9	8										

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
February 2012

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	3	35	15
Sales Prospects	3	4	2
Fin. & Interest Rates	1	2	1
Cost of Expansion	0	3	3
Political Climate	0	14	8
Other/Not Available	2	1	2

OUTLOOK FOR GENERAL BUSINESS CONDITIONS

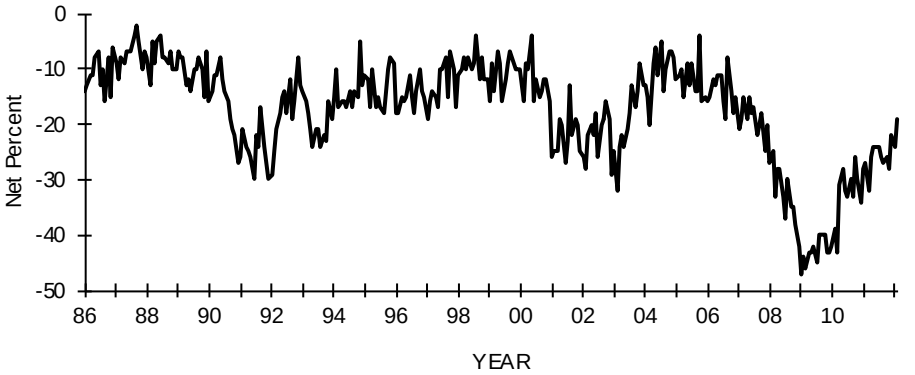
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-10
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	-8	-3	8	16	9
2011	10	9	-5	-8	-5	-11	-15	-26	-22	-16	-12	-8
2012	-3	-6										

SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to February 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
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	-30	-33	-26	-30	-34
2011	-28	-27	-32	-26	-24	-24	-24	-26	-27	-26	-28	-22
2012	-24	-19										

MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
February 2012

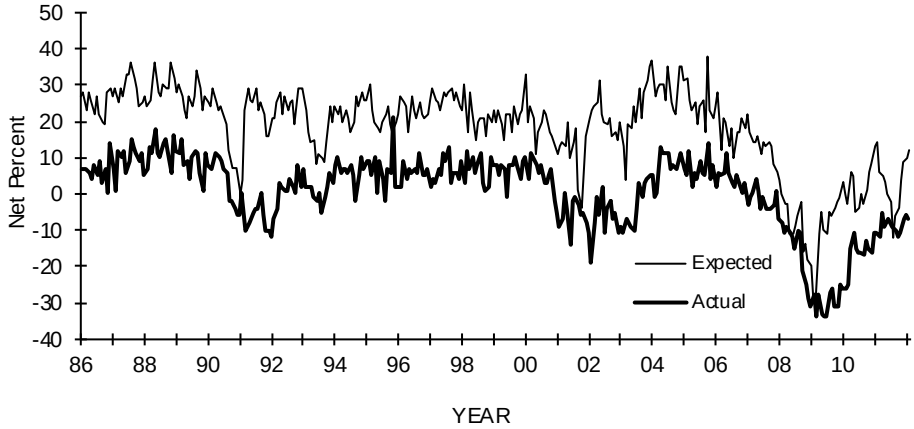
	Current Month	One Year Ago	Two Years Ago
Sales Volume	15	18	22
Increased Costs*	12	9	9
Cut Selling Prices	2	3	3
Usual Seasonal Change	7	6	6
Other	3	3	4

** 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 February 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
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	-16	-17	-13	-15	-16
2011	-11	-11	-12	-5	-9	-7	-8	-9	-10	-12	-11	-7
2012	-6	-7										

SALES EXPECTATIONS

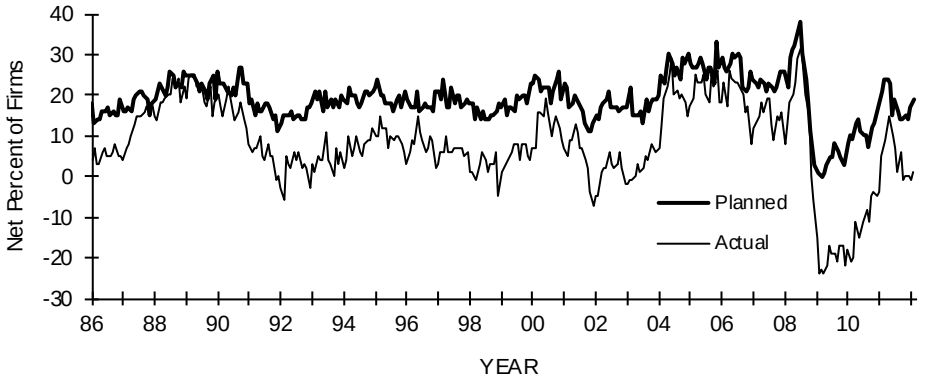
Net Percent ("Higher" Minus "Lower") During Next Three Months
(Seasonally Adjusted)

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

SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
January 1986 to February 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
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	-8	-11	-5	-4	-5
2011	-4	5	9	12	15	10	7	1	6	-1	0	0
2012	-1	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
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	10	7	12	13	15
2011	19	21	24	24	23	15	19	16	14	14	15	14
2012	17	19										

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
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	-2	-3	-6	-2	-1
2011	-4	-2	-4	-6	-3	-7	-2	-2	-5	0	2	1
2012	0	-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
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	32	30	28	27	28
2011	28	30	29	32	30	33	31	33	34	31	35	34
2012	31	31										

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to February 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
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	11	11	10	9	13
2011	13	15	15	14	12	15	12	15	14	14	16	15
2012	18	17										

HIRING PLANS

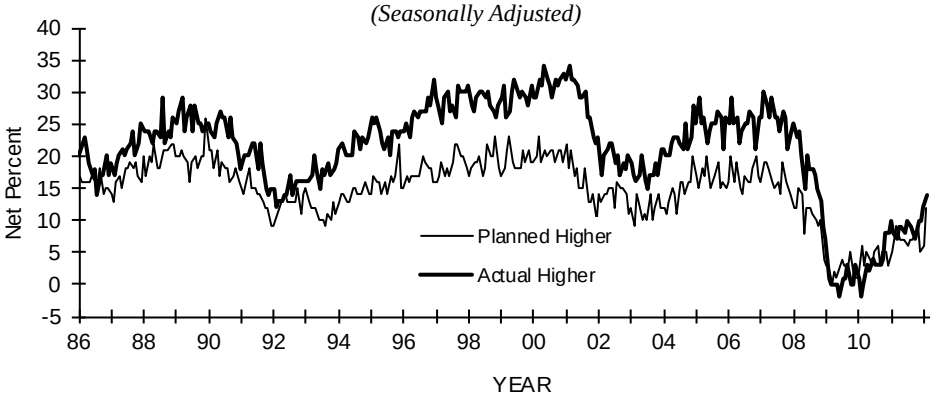
Net Percent ("Increase" Minus "Decrease") in the Next Three Months
(Seasonally Adjusted)

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

SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to February 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
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	3	3	4	8	8
2011	10	8	7	9	9	8	10	9	8	7	10	10
2012	12	14										

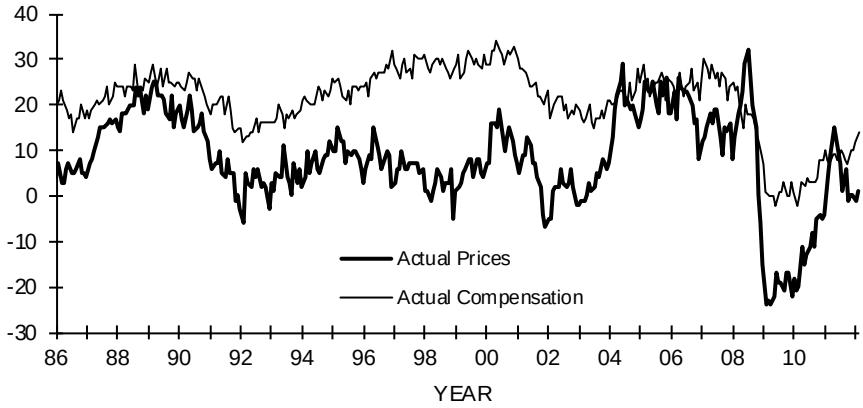
COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	6	3	5	5	3
2011	5	7	9	7	7	7	6	7	7	8	9	5
2012	6	12										

PRICES AND LABOR COMPENSATION

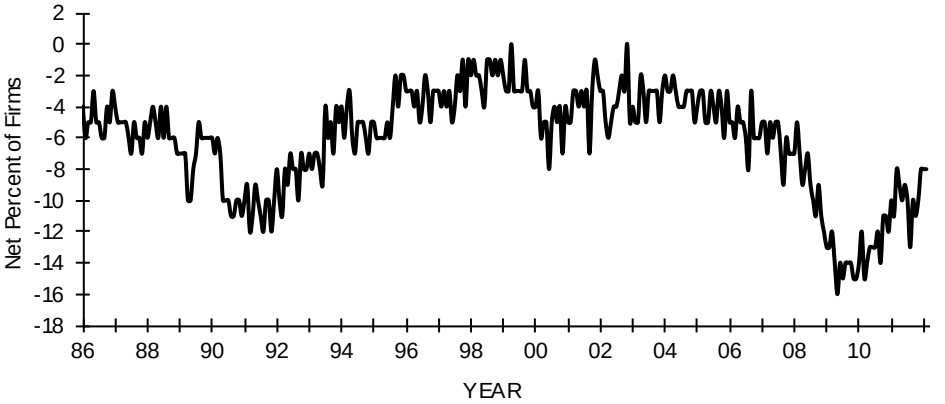
Net Percent Price Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to February 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
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	31	33	31	28	30
2011	31	31	29	32	29	29	30	32	31	30	34	31
2012	32	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
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	-12	-14	-11	-11	-12
2011	-10	-11	-8	-9	-10	-9	-10	-13	-10	-11	-10	-8
2012	-8	-8										

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
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	27/9	27/9	26/9	25/9	28/9
2011	28/8	29/8	28/7	28/8	28/8	25/9	28/8	28/7	29/8	28/9	30/7	29/7
2012	30/7	31/7										

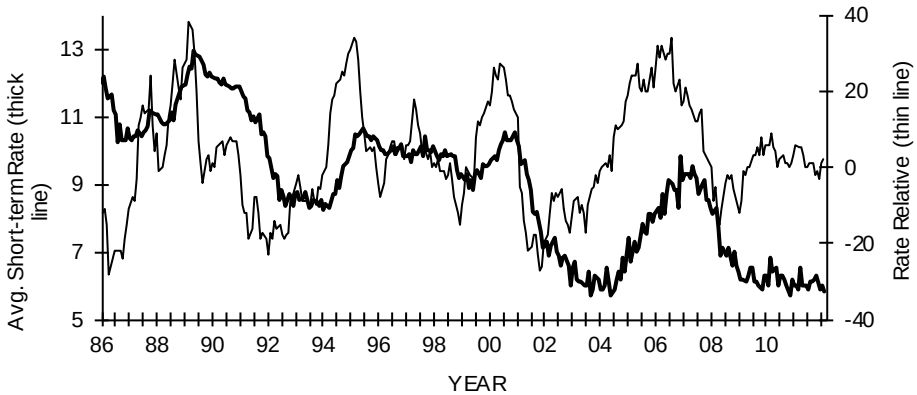
EXPECTED CREDIT CONDITIONS

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

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

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to February 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
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	3	1	1	0	1
2011	3	6	5	5	3	0	0	1	1	-2	-1	-3
2012	1	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
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	6.3	6.2	6.0	5.7	6.2
2011	6.0	6.0	5.9	6.5	6.0	6.0	5.9	6.1	6.1	6.2	6.3	5.9
2012	6.0	5.8										

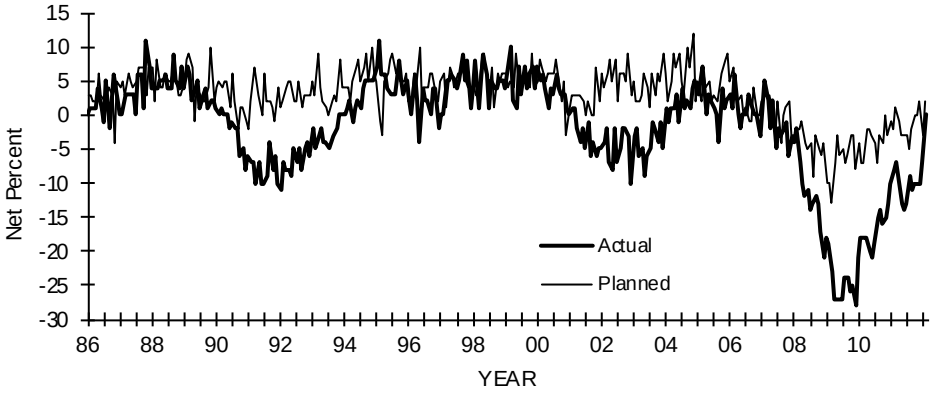
SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)

January 1986 to February 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
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	-15	-14	-16	-15	-13
2011	-10	-8	-7	-9	-13	-14	-13	-9	-11	-10	-10	-10
2012	-7	0										

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
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	-1	-2	1	-3	-3
2011	0	2	-1	1	-1	-1	0	1	-1	0	-1	0
2012	1	2										

INVENTORY PLANS

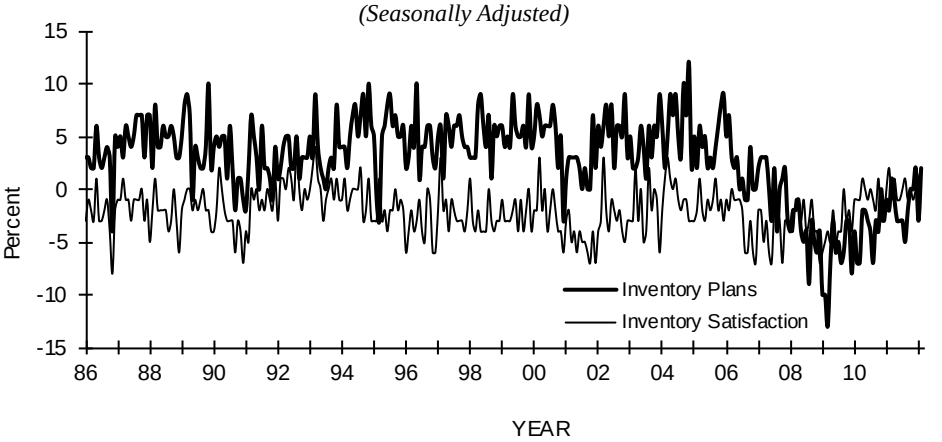
Net Percent ("Increase" Minus "Decrease") in the Next Three to Six Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	-7	-3	-4	0	-3
2011	-1	-2	1	-1	-3	-3	-3	-5	-2	0	0	2
2012	-3	2										

SMALL BUSINESS CAPITAL OUTLAYS

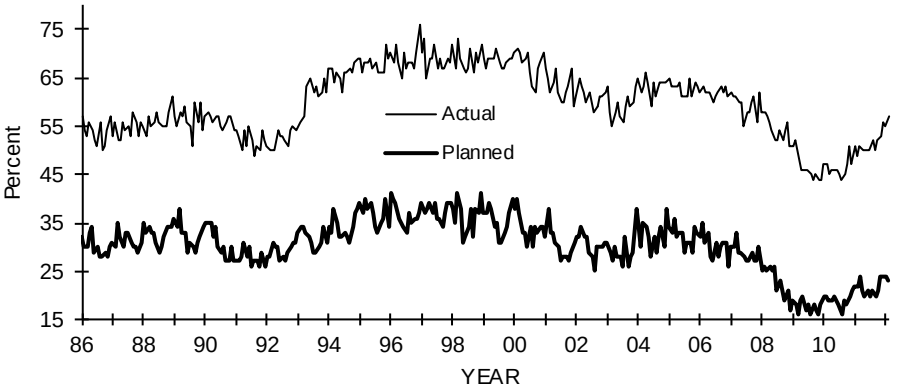
INVENTORY SATISFACTION AND INVENTORY PLANS

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 February 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
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	44	45	47	51	47
2011	51	49	51	50	50	50	50	52	50	52	53	56
2012	55	57										

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	23	19	19
Equipment	40	33	31
Furniture or Fixtures	12	10	8
Add. Bldgs. or Land	5	5	4
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	3	3	4
$1,000 to $4,999	9	7	9
$5,000 to $9,999	5	5	5
$10,000 to $49,999	19	17	17
$50,000 to $99,999	9	9	5
$100,000 +	11	9	8
No Answer	1	0	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	23										

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM

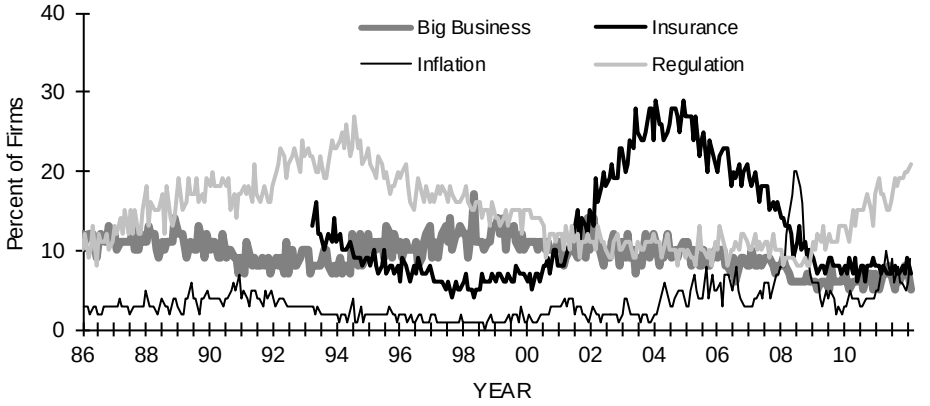
February 2012

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	21	17	32	8
Inflation	9	5	41	0
Poor Sales	22	28	34	2
Fin. & Interest Rates	4	4	37	1
Cost of Labor	3	3	9	2
Govt. Reqs. & Red Tape	21	19	27	4
Comp. From Large Bus.	5	5	14	4
Quality of Labor	5	7	24	3
Cost/Avail. of Insurance	7	8	29	4
Other	3	4	31	1

SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

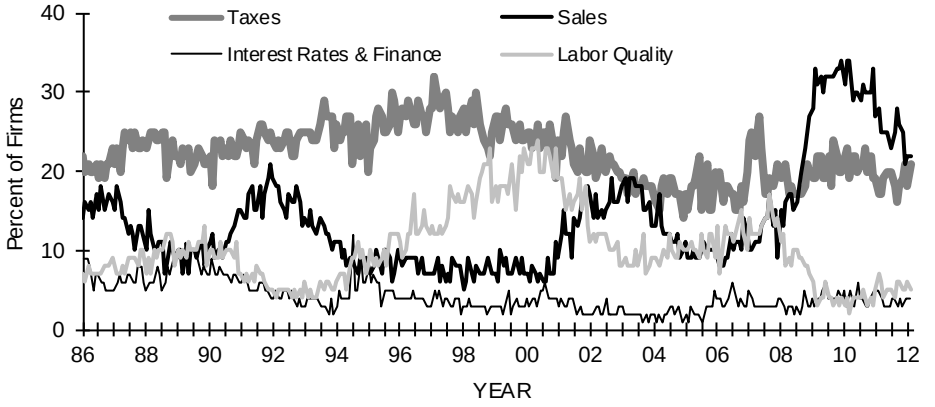
January 1986 to February 2012



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to February 2012



SURVEY PROFILE

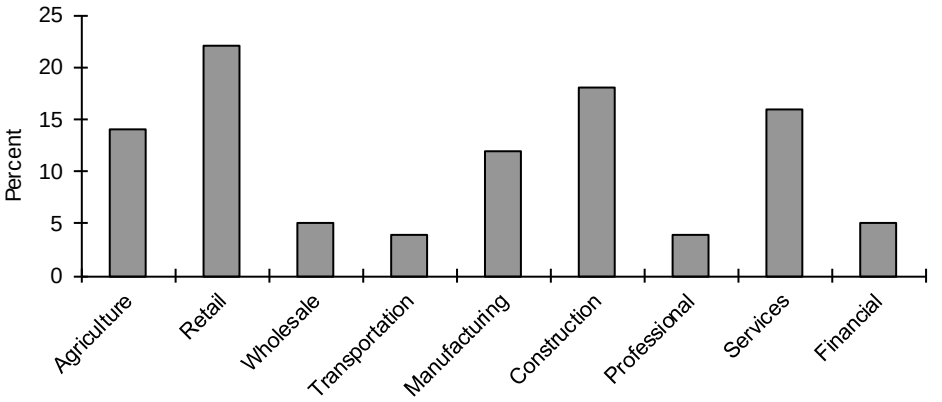
OWNER/MEMBERS PARTICIPATING IN
ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	874	849	1910	807	804
2011	2144	774	811	1985	733	766	1817	926	729	2077	781	735
2012	2155	819										

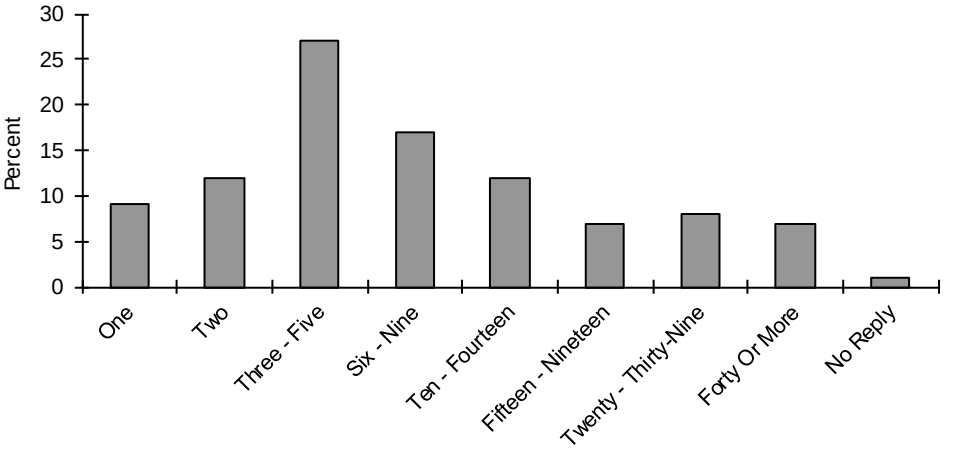
NFIB OWNER/MEMBERS PARTICIPATING
IN ECONOMIC SURVEY

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**

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