



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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April 2009

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	-10%	-7	40%
Plans to Make Capital Outlays	16%	-2	12%
Plans to Increase Inventories	-13%	-3	18%
Expect Economy to Improve	-22%	-1	6%
Expect Real Sales Higher	-31%	-2	12%
Current Inventory	-4%	1	-6%
Current Job Openings	10%	-1	6%
Expected Credit Conditions	-14%	2	-12%
Now a Good Time to Expand	1%	-2	12%
Earnings Trends	-46%	-2	12%
<b>Total Change</b>		<b>-17</b>	<b>100%</b>

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 fell 1.6 points in March to 81.0 (1986=100), still the second lowest reading in the 35 year history of the NFIB survey (80.1 is the low, reached in 1980Q2). Two of the Index components improved and eight declined. There were no components that delivered a strong signal of improvement, that will have to wait for the April survey.

## LABOR MARKETS

Seasonally adjusted, there was a decline in average employment per firm of 0.74 workers reported for the past three months by small business owners in March, not as large as the February decline. But, the first quarter job losses were the worst in survey history. Six percent of the owners increased employment by an average of 3.4 workers per firm but 28 percent reduced employment at average of 4.3 workers per firm (seasonally adjusted). Ten (10) percent (seasonally adjusted) reported unfilled job openings, down one point from February, relatively stable for the past few months, historically low but not as low as in the 1980-82 period. Over the next three months, 12 percent plan to reduce employment (up two points), and 12 percent plan to create new jobs (down one point), yielding a seasonally adjusted net negative 10 percent of owners planning to create new jobs, seven points lower than February. In addition to reducing employment, owners are reducing compensation as well. Seasonally adjusted, a net four percent reported raising worker compensation, a record low.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months fell two points to 50 percent of all firms. Owners continue to defer any project not essential to the survival of the firm. Plans to make capital expenditures over the next few months fell two points to 16 percent, historically very low. One percent characterized the current period as a good time to expand facilities, down two points from February, a reading only one point higher than the record low reached in the 1980-82 recession.

## INVENTORIES AND SALES

Expectations for gains in real sales gave up two points, falling to a net negative 31 percent expecting improvements (the worst readings in survey history). The net percent of all owners (seasonally adjusted) reporting higher sales in the past three months deteriorated six points, falling to a net negative 34 percent, not a helpful sign. Expectations are hardly supportive of more capital spending (or hiring). Small business owners continued to liquidate inventories. A net negative 23 percent of all owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted), four points lower than February. Inventories are being reduced at a record pace.



## INFLATION

Small business owners continued to liquidate inventories. A net negative 23 percent of all owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted), four points lower than February. Inventories are being reduced at a record pace. Widespread price cutting is being used to accomplish the reductions. For all firms, a net negative four percent (a one point improvement) reported stocks too low. But the net percent of all owners (seasonally adjusted) reporting higher sales in the past three months deteriorated six points, falling to a net negative 34 percent, not a helpful sign. Plans to add to inventories (on purpose) fell three points to a net negative 13 percent of all firms, seasonally adjusted. Seasonally unadjusted, 16 percent plan to add to stocks (up five points) while 26 percent will reduce stocks (up 11 points). New orders will remain depressed until stocks look lean relative to expected sales, which are quite depressed in the current period.

## PROFITS AND WAGES

Reports of positive profit trends fell two points to a net negative 46 percentage points, one point better than the January record low. Not seasonally adjusted, 11 percent reported profits higher (unchanged), but 63 percent reported profits falling (up four points). Overall, the poor profit picture is a result of reduced consumer spending and dramatic declines in selling prices. Wage pressures are falling as owners not only reduce employment but also the compensation of remaining workers. Eleven (11) percent of the owners reported reducing worker compensation, double earlier months and a survey record high. Only 11 percent reported raising worker compensation, a survey record low. Seasonally adjusted, a net four percent reported raising compensation, a survey record low.

## CREDIT MARKETS

As the economy weakened, loan demand faded as fewer capital projects were undertaken, and inventory investment fell as stocks were liquidated. Thirty-three (33) percent reported regular borrowing, down three points and typical of the past 20 years. Because of the slowdown in the economy, the credit worthiness of many potential borrowers has deteriorated over the last year, leading to more difficult terms and higher loan rejection rates (even with no change in lending standards). Twenty-nine (29) percent reported all their borrowing needs met (down 3 points) compared to 10 percent who reported problems obtaining desired financing (up two points; not seasonally adjusted). The net percent reporting all borrowing needs satisfied fell five points to 19 percent, a new low for the series. However, the net percent of owners reporting loans harder to get fell a point to 12 percent of all firms, no spike in complaints on this measure. Certainly fewer loans are being made, but a substantial share of the decline is due to lower demand, not unusual problems on the supply side. It is harder to find creditworthy borrowers these days. Record sales declines have a way of weakening balance sheets and income statement.



# COMMENTARY

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Small business owners are clearly cutting costs at a very rapid pace (as are larger firms as well), which primarily involves reducing employment. Cost cutting is likely being over-done since there is uncertainty about the future, in particular when the recession will end, and earnings are in the tank. What this portends, however, is a rapid improvement in employment and earnings once the economy establishes a forward momentum. Sharp recoveries are possible only after sharp declines.

Capital spending and inventory investment are at or near record low levels and, more importantly, have remained their longer than during any recession in the 35 year NFIB survey history. This is feeding an ever enlarging pool of “pent-up demand.” Consumers are accumulating a similar pool of unfilled spending needs as well. Car sales will not continue all year at the nine million rate recorded at the start of 2009. More will be bought, not a return to 16 million, but a gain. Normally, well over a million new homes, apartments and condos are needed each year, but new construction is a third of that. More houses will be built. This will be the start of the private sector rescue of the economy. Some fiscal stimulus will start to filter in, but it will, as always, be late to the party. The “stimulus package” and the political urgency surrounding it was a smoke screen for other agendas.

Easily available credit allowed consumers to spend future income as well as liquidate some wealth. Now consumers are repaying that debt (outstanding credit keeps falling) and the savings rate has lifted from zero percent to four percent to accomplish the “deleveraging.” This evens out eventually and normal consumer spending growth will be restored, but with a higher savings rate. Credit (cards) does not increase consumer’s income, but allows the user to move spending around in time. In the long haul, income determines spending. Those with a job are seeing their real incomes rise as prices fall. The economic weakness is not caused by reduced spending from those losing jobs, but reduced spending from everyone who has a job, including those unaffected to date by the recession (9 out of 10 will still have their jobs at the worst).

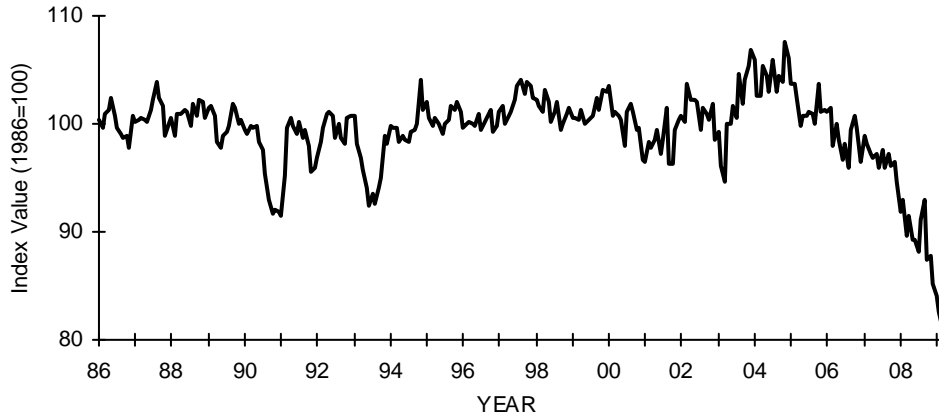
The uncertainty now lies with government policies. Just how much of a headwind will new regulations, “nationalization,” higher taxes, spending that diverts private resources to public use and a stunning level of borrowing that could crowd out private investment pose for the economy? Can the Federal Reserve reclaim the liquidity it has created before inflation sets in? Time and politics will tell.



# 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)

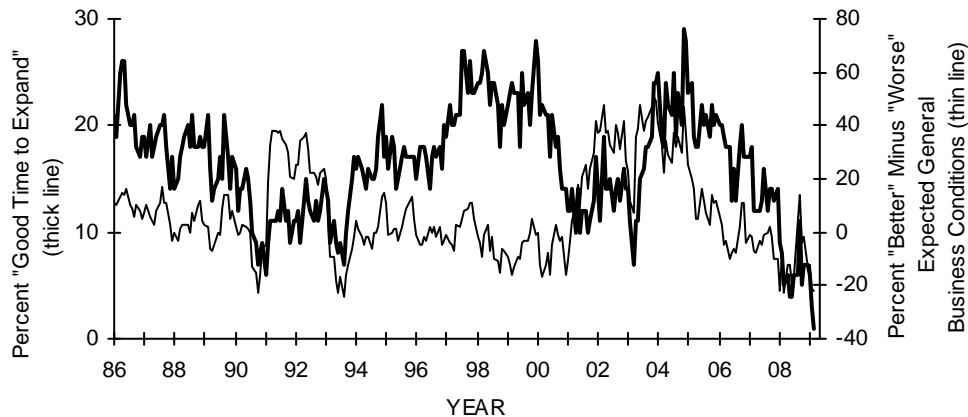
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
<b>2005</b>	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	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									



## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to March 2009  
(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>2004</b>	25	19	18	24	22	21	25	19	23	20	29	28
<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									

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
March 2009

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	1	59	12
<b>Sales Prospects</b>	1	4	1
<b>Fin. &amp; Interest Rates</b>	0	2	1
<b>Cost of Expansion</b>	0	2	1
<b>Political Climate</b>	0	8	3
<b>Other/Not Available</b>	2	1	0



### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

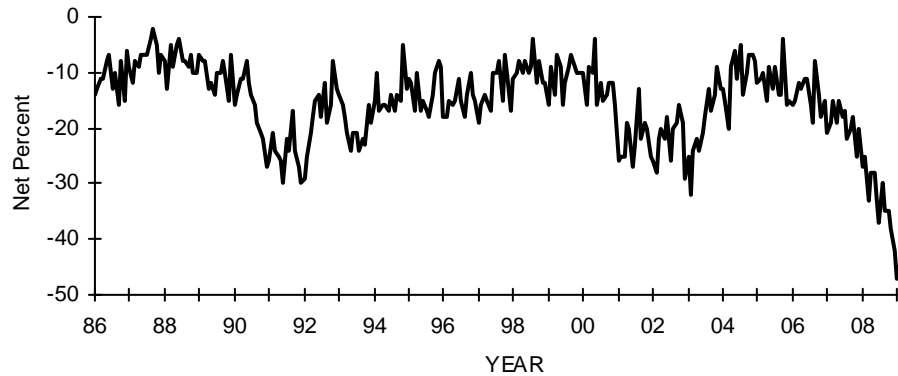
Net Percent (“Better” Minus “Worse”) Six Months From Now  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	41	33	22	34	29	26	37	32	36	30	47	37
<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									

# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to March 2009  
(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>2004</b>	-13	-15	-20	-9	-6	-11	-5	-14	-10	-7	-7	-8
<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									



## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
March 2009

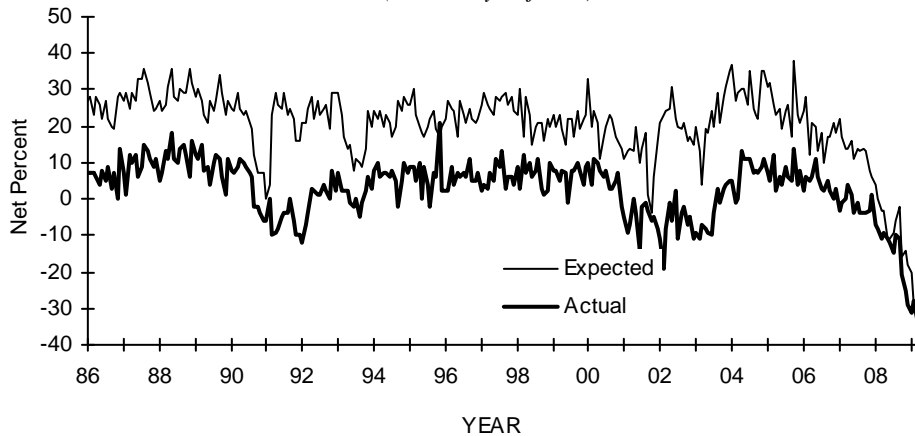
Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	37	17	10
<b>Increased Costs*</b>	9	9	9
<b>Cut Selling Prices</b>	6	2	4
<b>Usual Seasonal Change</b>	6	7	10
<b>Other</b>	1	2	2

\* 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 March 2009  
 (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>2004</b>	5	-1	0	13	11	11	11	7	8	7	9	11
<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									



## SALES EXPECTATIONS

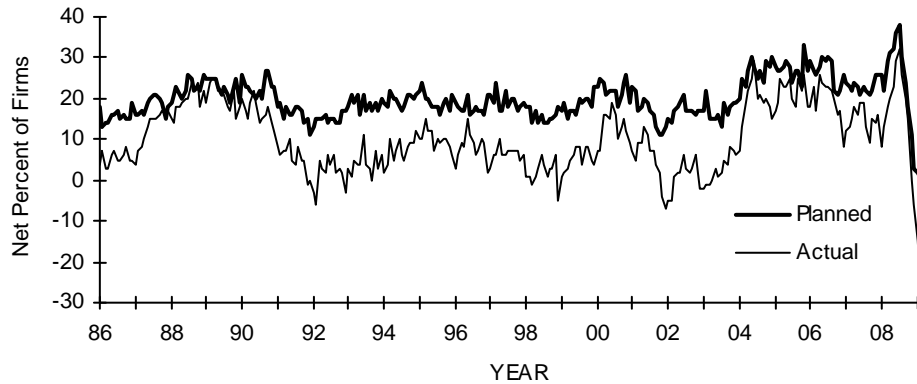
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	37	27	29	30	30	26	35	25	23	22	35	35
<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									

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to March 2009  
 (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>2004</b>	7	13	19	22	25	29	20	21	19	20	18	15
<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									



## 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>2004</b>	20	25	23	27	30	28	25	27	24	29	28	30
<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									

# 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>2004</b>	0	0	-2	0	3	2	7	5	5	6	7	11
<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									

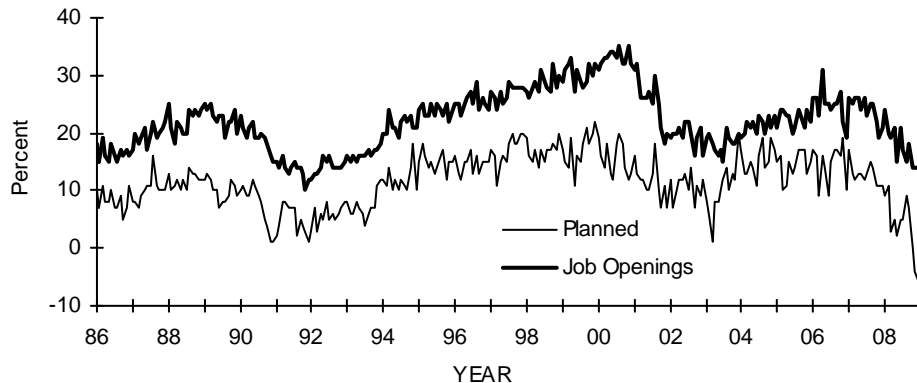
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	33	37	39	35	40	37	39	42	36	42	39	41
<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									

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to March 2009  
(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
2004	19	20	22	21	22	20	23	22	20	23	21	23
2005	21	24	24	23	23	20	21	24	23	21	24	22
2006	26	26	23	31	25	25	24	25	25	27	22	19
2007	26	25	26	26	24	26	23	25	25	22	19	21
2008	24	20	19	21	15	21	17	15	18	14	14	14
2009	11	11	10									

### HIRING PLANS

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

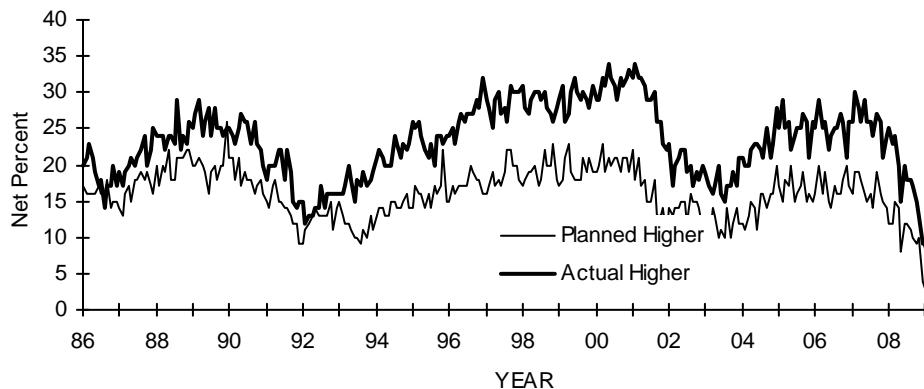
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11
2008	9	11	3	5	2	5	5	9	7	0	-4	-6
2009	-6	-3	-10									



## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to March 2009 (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
2004	21	20	20	22	23	23	22	21	25	21	23	28
2005	25	29	25	26	22	24	25	25	27	26	21	26
2006	25	24	22	27	24	22	24	25	28	23	25	21
2007	26	30	28	26	29	26	27	24	27	26	21	24
2008	25	23	24	20	15	20	18	18	17	15	13	9
2009	9	7	4									

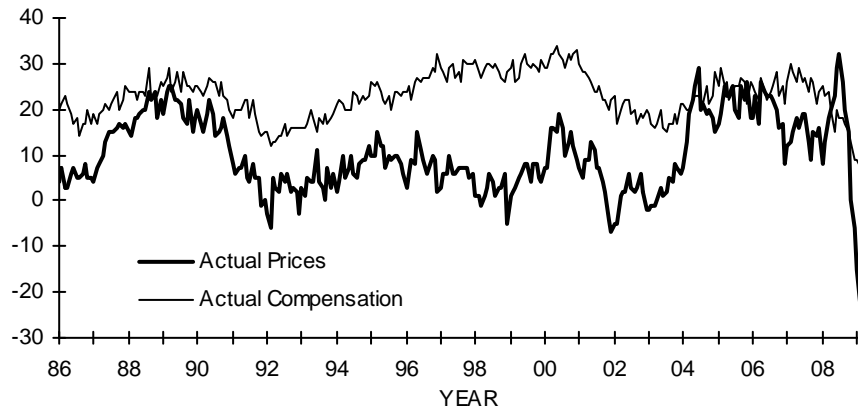
### COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	12	11	13	15	14	11	16	16	14	16	16	20
2005	17	15	18	17	20	15	16	17	19	15	16	15
2006	16	20	16	19	15	14	17	16	16	18	20	17
2007	16	19	19	18	16	15	16	14	19	16	15	14
2008	12	12	15	14	8	12	12	11	10	9	10	4
2009	3	3	0									

### PRICES AND LABOR COMPENSATION

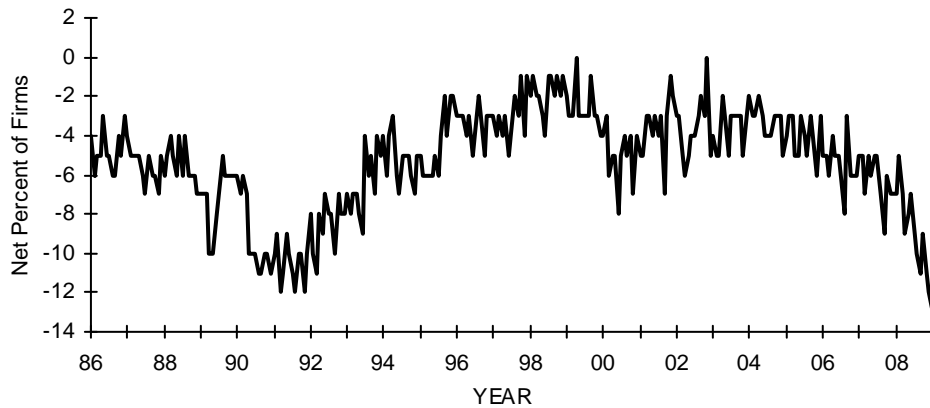
Net Percent Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January 1986 to March 2009



\* 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>2004</b>	36	35	40	36	35	33	35	35	33	35	33	38
<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									



## 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>2004</b>	-2	-3	-3	-2	-3	-4	-4	-4	-3	-3	-3	-5
<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									

## 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>2004</b>	36/6	36/8	38/6	37/6	34/5	34/5	37/5	35/7	36/5	35/5	36/3	39/4
<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									

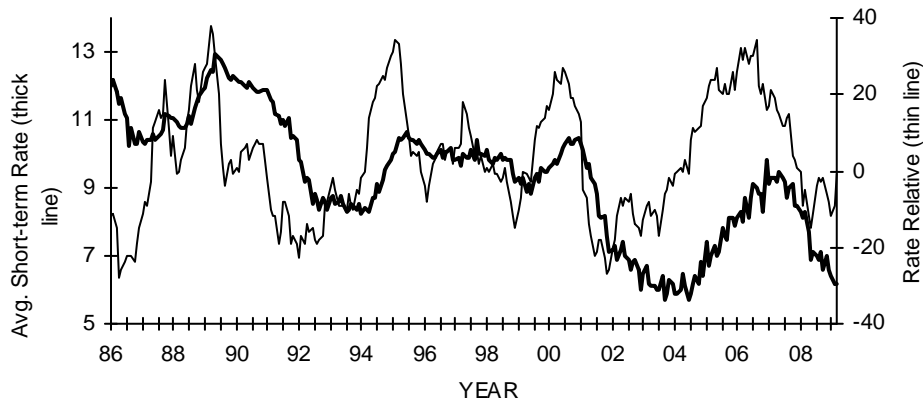
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	-5	-6	-4	-4	-5	-6	-6	-6	-3	-5	-4	-7
<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									

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January 1986 to March 2009



## 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>2004</b>	-1	0	1	0	3	-1	8	11	10	11	12	17
<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									

*Borrowing at Least Once Every Three Months.*

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

Average Interest Rate Paid

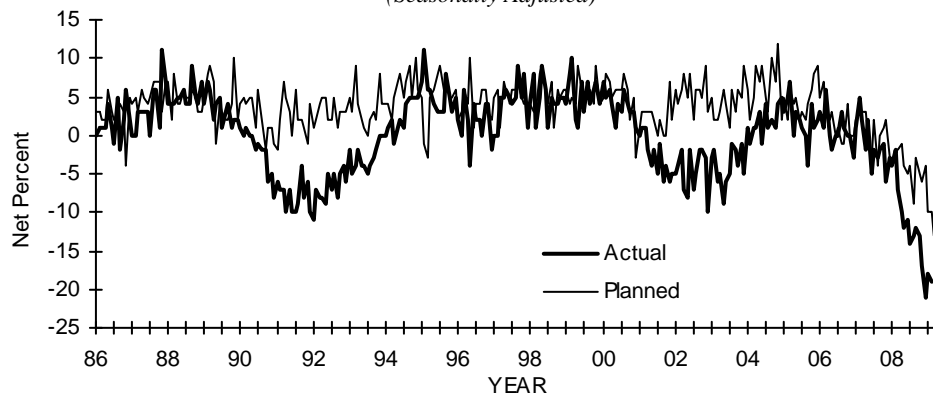
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
<b>2005</b>	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	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									



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to March 2009  
(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
2004	1	-1	1	1	3	-1	4	1	2	1	4	5
2005	3	5	7	0	3	2	1	0	-4	4	1	2
2006	3	1	6	0	-2	0	0	3	1	0	0	-3
2007	1	5	2	-2	2	-5	-2	-3	-2	-1	-6	-3
2008	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21
2009	-18	-19	-23									

### 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
2004	-2	1	3	1	0	1	-1	-2	-1	-1	-3	-3
2005	-3	-2	1	-2	-3	-1	-2	-1	1	-2	-1	-3
2006	-1	-2	0	-1	-1	-1	-2	-6	-6	-3	-6	-7
2007	-2	-2	-5	-3	-6	-7	-2	-2	-3	-7	-3	-3
2008	-4	-4	-1	-1	-3	-1	-4	-3	-1	-4	-4	-7
2009	-6	-5	-4									

### 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
2004	6	2	5	9	7	9	5	3	10	7	12	2
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
2009	-10	-10	-13									





## 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	18	17	27
Equipment	35	41	44
Furniture or Fixtures	9	13	17
Add. Bldgs. or Land	5	6	6
Improved Bldgs. or Land	13	12	13

### AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures  
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	5	3	4
\$1,000 to \$4,999	9	4	8
\$5,000 to \$9,999	7	6	6
\$10,000 to \$49,999	17	17	22
\$50,000 to \$99,999	6	9	9
\$100,000 +	7	9	10
No Answer	0	2	2



### 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
2004	34	30	35	34	32	28	32	29	32	34	30	38
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									

# SINGLE MOST IMPORTANT PROBLEM

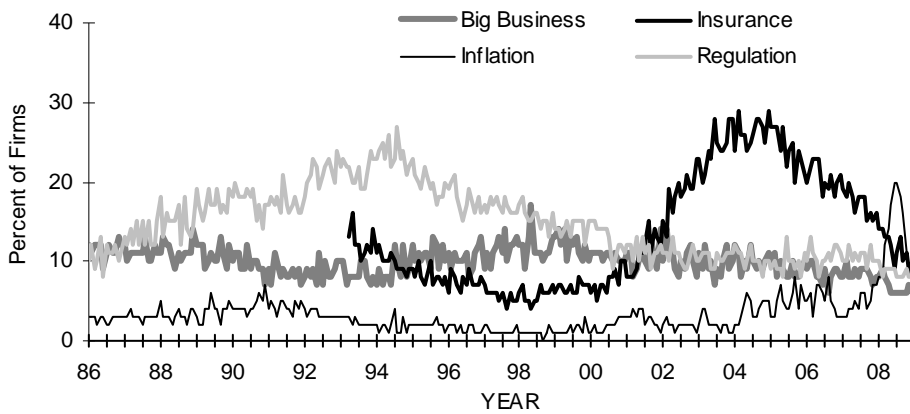
## SINGLE MOST IMPORTANT PROBLEM

March 2009

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	22	21	32	8
<b>Inflation</b>	6	12	41	0
<b>Poor Sales</b>	31	16	33	2
<b>Fin. &amp; Interest Rates</b>	4	2	37	1
<b>Cost of Labor</b>	4	4	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	12	9	27	4
<b>Comp. From Large Bus.</b>	5	8	14	4
<b>Quality of Labor</b>	3	8	24	3
<b>Cost/Avail. of Insurance</b>	7	13	29	4
<b>Other</b>	6	7	31	1

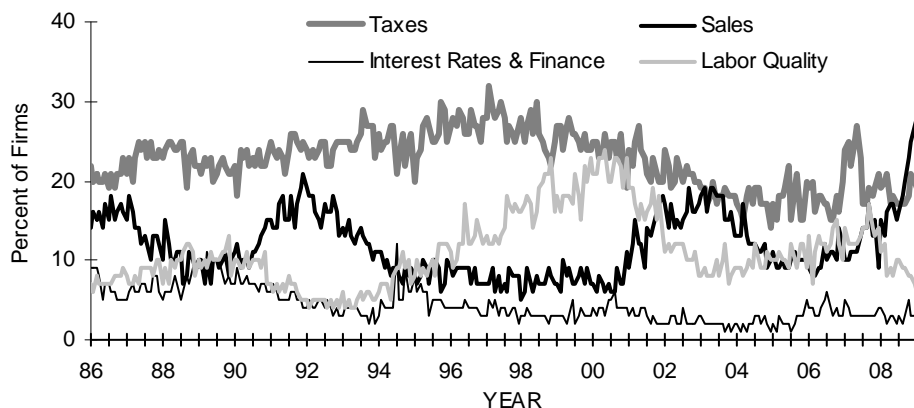
## SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation  
January 1986 to March 2009



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality  
January 1986 to March 2009



# SURVEY PROFILE

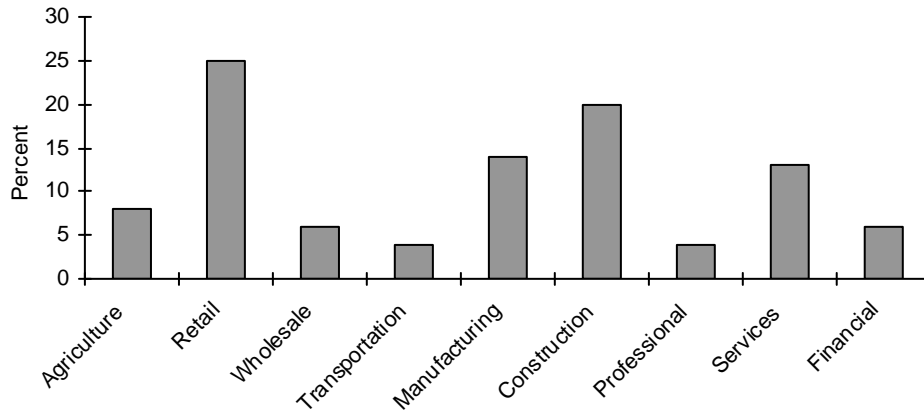
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	1245	587	474	1274	487	468	1221	503	480	1221	574	441
<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									

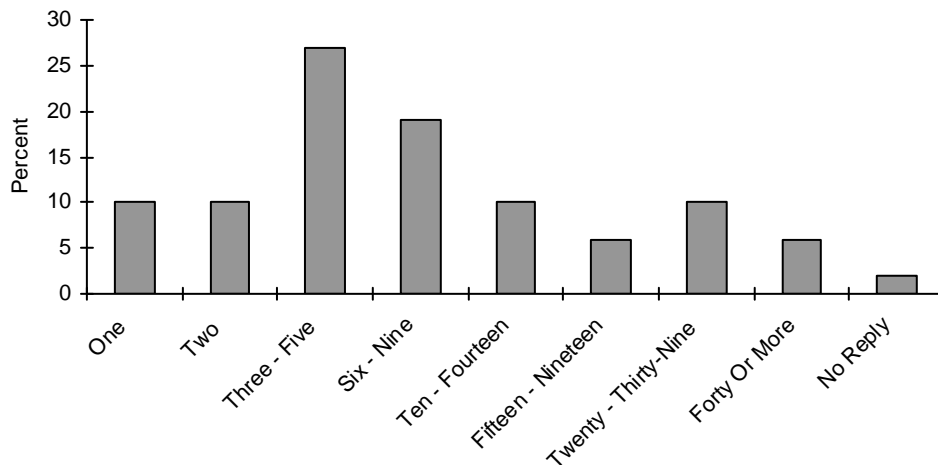
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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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<b>Are...loans easier or harder to get than they were three months ago? .....</b>	<b>12</b>
<b>During the last three months, was your firm able to satisfy its borrowing needs? .....</b>	<b>13</b>
<b>Do you expect to find it easier or harder to obtain your required financing during the next three months? .....</b>	<b>13</b>
<b>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? .....</b>	<b>14</b>
<b>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? .....</b>	<b>14</b>
<b>During the last three months, did you increase or decrease your inventories? .....</b>	<b>15</b>
<b>At the present time, do you feel your inventories are too large, about right, or inadequate? .....</b>	<b>15</b>
<b>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? .....</b>	<b>15</b>
<b>During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?.....</b>	<b>16</b>
<b>If [your firm made any capital expenditures], what was the total cost of all these projects? .....</b>	<b>17</b>
<b>Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?.....</b>	<b>17</b>
<b>What is the single most important problem facing your business today? .....</b>	<b>18</b>
<b>Please classify your major business activity, using one of the categories of example below. ....</b>	<b>19</b>
<b>How many employees do you have full and part-time, including yourself?.....</b>	<b>19</b>