



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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September 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	0%	3	13%
Plans to Make Capital Outlays	16%	-2	-9%
Plans to Increase Inventories	-7%	-2	-9%
Expect Economy to Improve	10%	13	57%
Expect Real Sales Higher	-5%	6	26%
Current Inventory	-4%	0	0%
Current Job Openings	8%	-1	-4%
Expected Credit Conditions	-13%	1	4%
Now a Good Time to Expand	5%	0	0%
Earnings Trends	-40%	5	22%
<b>Total Change</b>		<b>23</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 gained 2.1 points in August, rising to 88.6 (1986=100), 7.6 points higher than the survey's second lowest reading reached in March. Seven of the 10 Index components posted gains or were unchanged, three declined. The gain was primarily a result of improved expectations for future business conditions and real sales volumes. The gain in the Optimism Index clearly signals that the worst is likely over, but so far there has been no "surge" in sentiment or in the important Index components directly tied to the Gross Domestic Product.

## LABOR MARKETS

The "job generating machine" is still in reverse. Eight percent (seasonally adjusted) reported unfilled job openings, down one point from July. Over the next three months, 13 percent plan to reduce employment (down one point), and seven percent plan to create new jobs (down one point), yielding a seasonally adjusted net zero percent of owners planning to create new jobs, a three point improvement over July. Reports of compensation cuts and increases remained in record territory, with 10 percent reporting reduced worker compensation, and 12 percent reporting increased worker compensation. Seasonally adjusted, a net six percent reported raising worker compensation, unchanged from July and only three points above June's record low reading.

## CAPITAL SPENDING

Plans to make capital expenditures over the next few months fell two points to 16 percent, revisiting the survey record low reached in 1975 and in March of this year. Five percent characterized the current period as a good time to expand facilities, unchanged from July and historically very low. But, a net 10 percent expect business conditions to improve over the next six months, up 13 points from July. The frequency of reported capital outlays over the past six months fell one point to 45 percent of all firms, a record low reading (data first collected in 1979).

## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher sales in the past three months remained negative at minus 27 percent, but seven points better than the record low set in March and revisited in July. Expectations for gains in real sales rebounded, gaining six points from the July reading to a net negative five percent expecting improvements. Although still negative, this latest rebound in expectations is 26 points better than the March record low level. Small business owners continued to liquidate inventories. A net negative 24 percent of all owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted), three points better than the record low of negative 27 recorded each month from April through June.



## INFLATION

In August, 11 percent of small business owners reported raising their average selling prices, while 31 percent reported reductions in average selling prices (both unchanged). No inflation in those numbers. Seasonally adjusted, the net percent of owners raising prices was negative 19 percent, far more cutting prices than raising them. Good news for Federal Reserve, bad news for owners. Plans to raise prices rose three points to a net seasonally adjusted eight percent of owners, 30 points below the July 2008 reading. Pricing power has vanished and reports of sales declines are exceptionally high in part because of the widespread price cuts.

## PROFITS AND WAGES

Reports of positive profit trends improved five points to a net negative 40 percentage points. Not seasonally adjusted, 16 percent reported profits higher (up three points), but 50 percent reported profits falling (down two points). Of those owners reporting lower earnings compared to the previous three months, 62 percent cited weaker sales. The fact that these negative reports persist is bad news for the small business community. Wage pressures are falling as owners not only reduce employment but also the compensation of remaining workers. But the cost reductions are not enough to firm up profits. Ten percent of the owners reported reducing worker compensation, a near record high. Only 12 percent reported raising worker compensation, a point above the survey record low reached in the last few months. Seasonally adjusted, a net six percent reported raising compensation, unchanged from July but a few points above the June record low reading of three percent.

## CREDIT MARKETS

Overall, loan demand is down due to widespread postponement of investment in inventories and historically low plans for capital spending. Thirty-two (32) percent reported regular borrowing, down one point from July. Of those borrowers, 30 percent reported all their borrowing needs met (up two points) compared to seven percent who reported problems obtaining desired financing (down three points). The recession is now 21 months old, much longer than any other time since the 1980-82 period, so more “stress” is likely as owners wait for customers to show up and for their cash flow to improve. The net percent of owners reporting loans harder to get fell one point to 14 percent of all firms. But only four percent of the owners reported “financing” as their number one business problem. Pre-1983, as many as 37 percent cited financing and interest rates as their top problem.



# COMMENTARY

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It looks like the third quarter will turn out a bit better than we predicted last year. At the time, our forecast was quite optimistic. Most everyone seems to be revising up, even past the NFIB forecast. But the NFIB data confirm that the fundamentals are still weak. “Cutting” is starting to diminish, but “adding” has not picked up in jobs, inventories or capital spending. Only one month left to make Q3 but as we learned from Septembers in 2007 and 2008, Septembers can bring major shifts – down and hopefully up.

The small business sector has taken a real beating. Owners have reduced employment and cut inventories at a record pace, and capital spending (plans and actual) reached 35 year lows this year. Clawing their way back requires some cooperation from consumers, the source of sales for most small firms, and they are not in a spending mood. For many consumers, debt burdens have restrained spending. For higher income consumers, psychology is playing a negative role – wealth losses have shocked them into reduced spending.

Capital expenditures are at record low levels. So are plans to make outlays in the next three months. Plans to invest in inventories are at the third lowest level in survey history, but have been at that level for a long period of time. Inventory reductions have been running at new record levels for a year. Reports of sales declines are running at record levels (price cuts part of the cause, lower real unit sales as well) and this has produced reports of profit declines at record rates. It is looking like the worst period in survey history, worse in many ways than the 1980-82 period which had a “relief growth rally” in the middle of its 22 month span.

Political leadership has also had a negative impact on attitudes. For years, owners have expressed a vote of “no confidence” in the economic policies of Congress. From September 2008 through June 2009, leadership has been unconvincing, appeared confused, and unable to act in a way that engendered confidence from the private sector. The Stimulus Package contained very little current stimulus and Congress has continued to pursue major legislative changes that promise to be less than business or consumer friendly. Taxes, Taxes, Taxes, Regulations, Regulations, Regulations. Deficits, larger and deeper. Depressing.

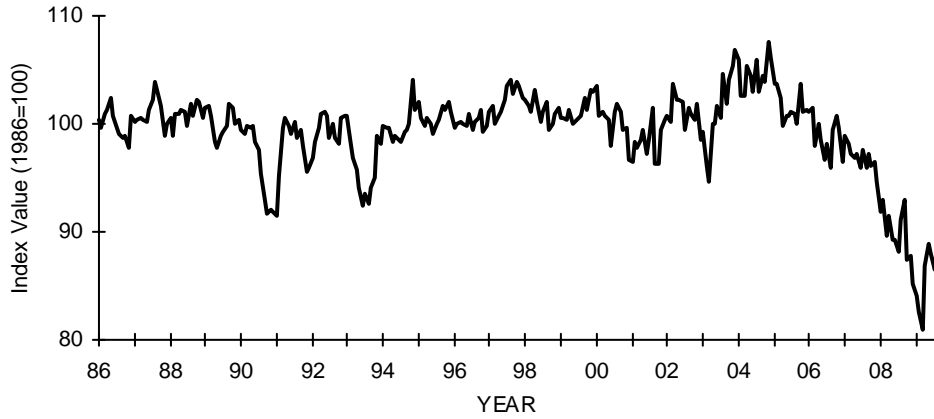
With all that, the private sector is slowly climbing its way back, pent up demand is huge (even without the credit driven levels of spending from the expansion). Consumers are slowly rebuilding their financial foundations and spending will recover, albeit slowly. In the long haul, the relationship between consumption and spending is fairly stable. We used credit to “over-consume,” now we will repay the debt and “under-consume” for a spell. The attempts by Congress to “steam roll” the private sector are being repelled by ordinary folk and politicians who have faith in the private sector, not government. This is contributing to an improvement in expectations for economic performance. Real sales volumes and business conditions are expected to improve, let’s hope that owners follow up with an increase in their spending and hiring.



# 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)

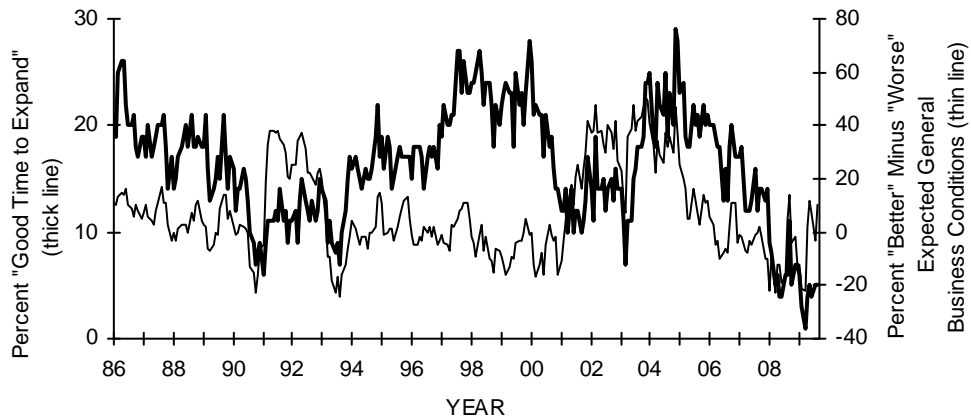
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
<b>2005</b>	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	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	86.8	88.9	87.9	86.5	88.6				



## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to August 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	4	5	4	5	5				

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
August 2009

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	2	51	13
<b>Sales Prospects</b>	2	6	1
<b>Fin. &amp; Interest Rates</b>	0	1	1
<b>Cost of Expansion</b>	1	2	1
<b>Political Climate</b>	0	12	3
<b>Other/Not Available</b>	0	1	1



### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

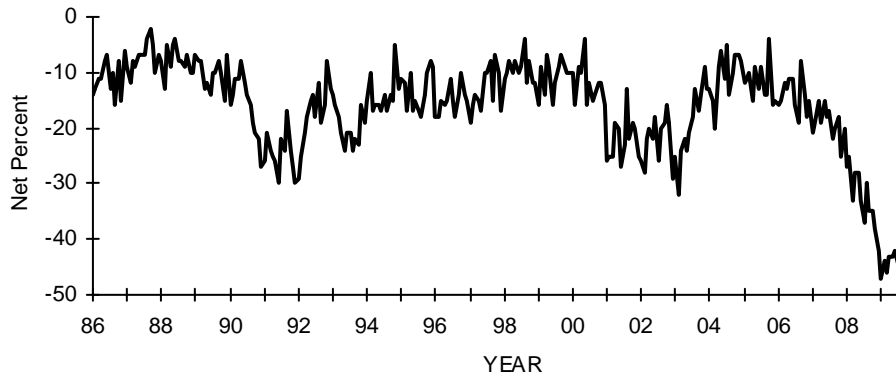
Net Percent ("Better" Minus "Worse") Six Months From Now  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	2	12	7	-3	10				

# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to August 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	-43	-43	-42	-45	-40				



## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
August 2009

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	31	17	16
<b>Increased Costs*</b>	8	16	13
<b>Cut Selling Prices</b>	6	4	3
<b>Usual Seasonal Change</b>	2	2	5
<b>Other</b>	3	2	0

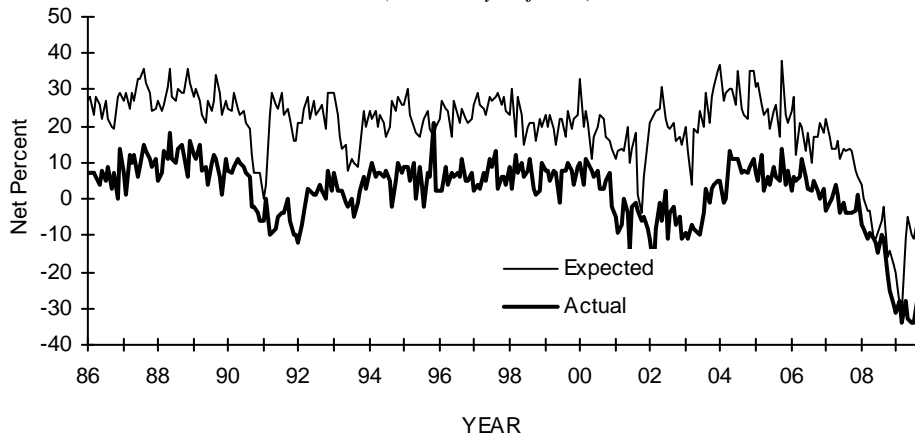
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Next Three Months)  
 January 1986 to August 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	-28	-33	-34	-34	-27				



## SALES EXPECTATIONS

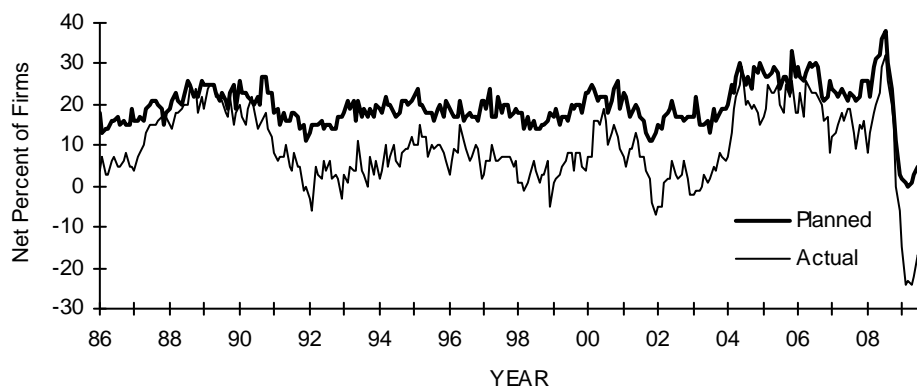
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
 (Seasonally Adjusted)

	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	-11	-5	-10	-11	-5				

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to August 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	-24	-22	-17	-19	-19				



## 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	1	3	5	5	8				

# 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	-25	-24	-23	-17	-16				

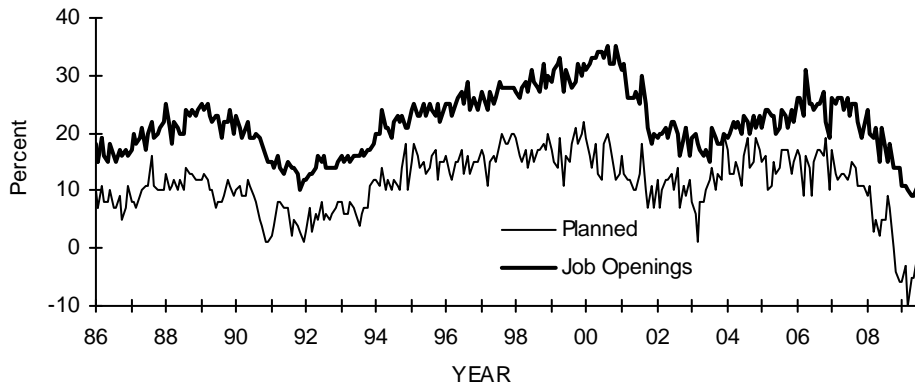
## QUALIFIED APPLICANTS FOR JOB OPENINGS

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	24	25	27	26	23				

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to August 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	9	9	11	9	8				

### HIRING PLANS

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

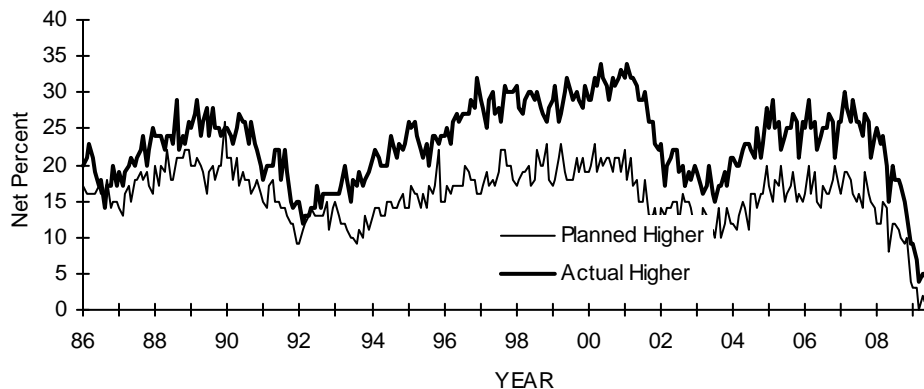
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11
2008	9	11	3	5	2	5	5	9	7	0	-4	-6
2009	-6	-3	-10	-5	-5	-1	-3	0				



## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to August 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	5	5	3	6	6				

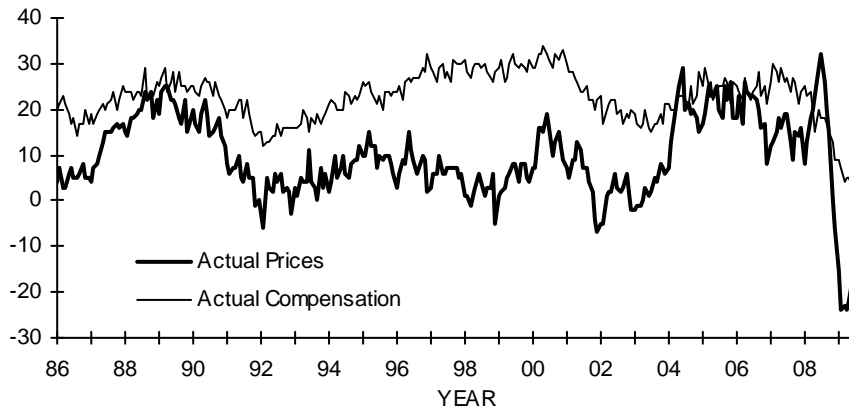
### COMPENSATION PLANS

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	2	1	3	4	3				

### PRICES AND LABOR COMPENSATION

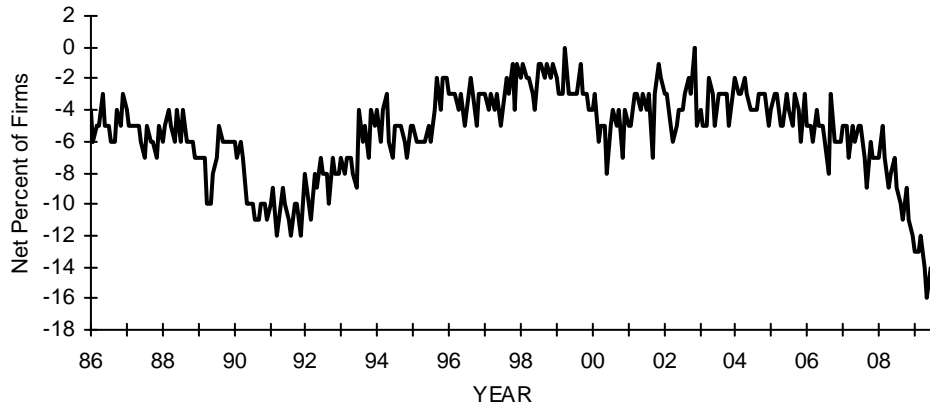
Net Percent Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January 1986 to August 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	33	34	30	33	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>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	-14	-16	-14	-15	-14				

## 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	30/8	28/9	30/10	28/10	30/7				

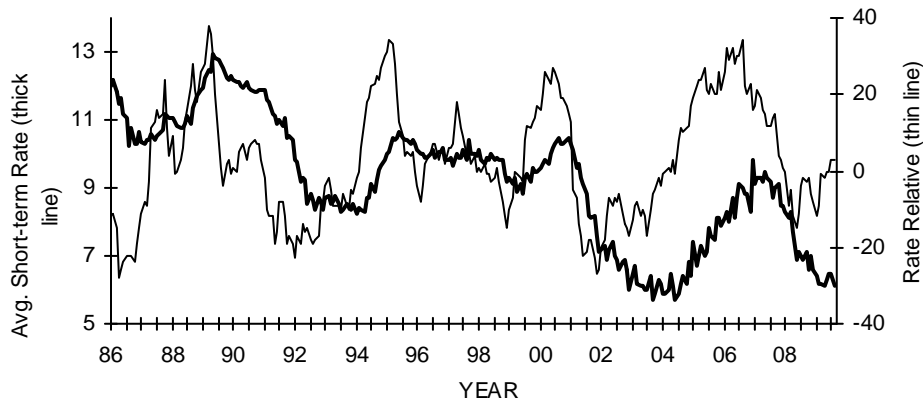
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-12	-15	-13	-14	-13				

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January 1986 to August 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	-2	0	0	3	3				

*Borrowing at Least Once Every Three Months.*

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

Average Interest Rate Paid

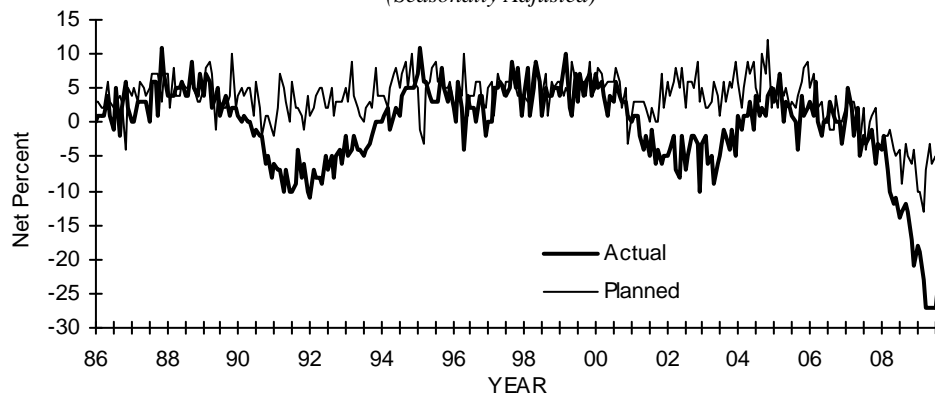
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
<b>2005</b>	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	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	6.1	6.3	6.5	6.5	6.1				



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to August 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	-27	-27	-27	-27	-24				

### 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	-5	-2	-5	-4	-4				

### INVENTORY PLANS

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

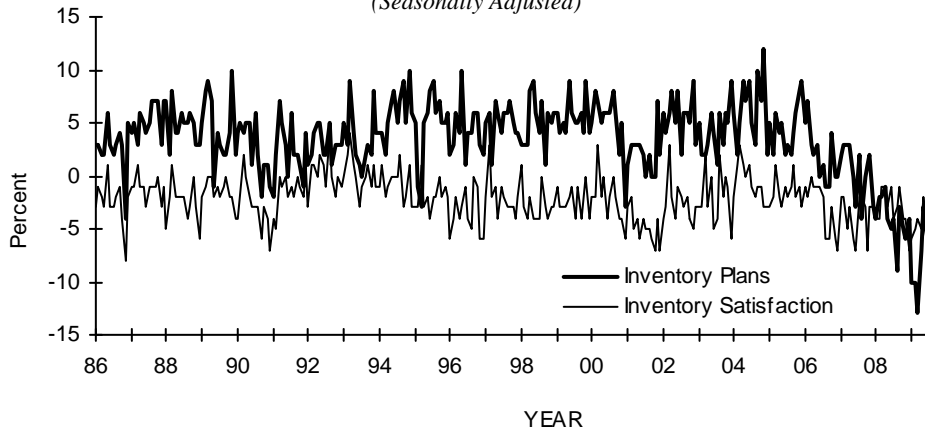
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	6	2	5	9	7	9	5	3	10	7	12	2
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
2009	-10	-10	-13	-7	-3	-6	-5	-7				



# SMALL BUSINESS CAPITAL OUTLAYS

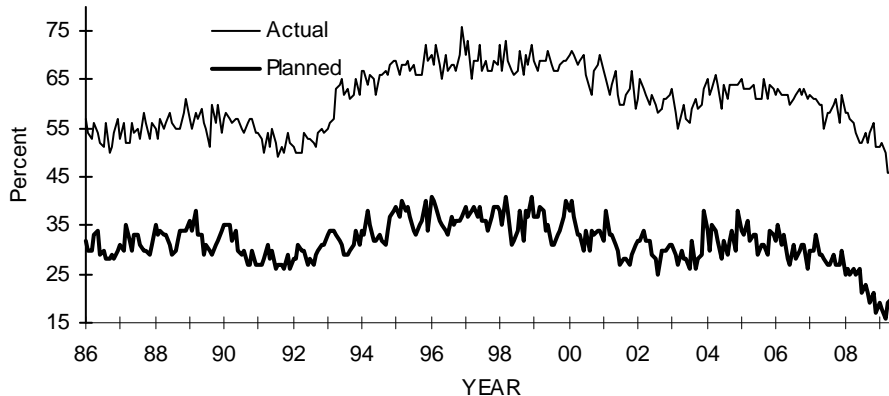
## INVENTORY SATISFACTION AND INVENTORY PLANS

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



## CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months  
 January 1986 to August 2009  
*(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>2004</b>	65	62	63	66	64	59	64	61	64	64	64	64
<b>2005</b>	65	63	63	63	64	61	61	61	65	61	64	63
<b>2006</b>	62	63	62	62	62	60	61	62	63	62	63	61
<b>2007</b>	62	61	61	60	60	55	58	58	60	61	56	62
<b>2008</b>	58	58	57	56	54	52	52	54	52	54	56	51
<b>2009</b>	51	52	50	46	46	46	46	45				

## 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	13	22	24
Equipment	31	39	42
Furniture or Fixtures	8	14	13
Add. Bldgs. or Land	4	4	7
Improved Bldgs. or Land	11	14	12

### 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	3
\$1,000 to \$4,999	8	10	9
\$5,000 to \$9,999	5	6	7
\$10,000 to \$49,999	16	18	20
\$50,000 to \$99,999	6	6	8
\$100,000 +	7	9	9
No Answer	0	1	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	19	20	17	18	16				

# SINGLE MOST IMPORTANT PROBLEM

## SINGLE MOST IMPORTANT PROBLEM

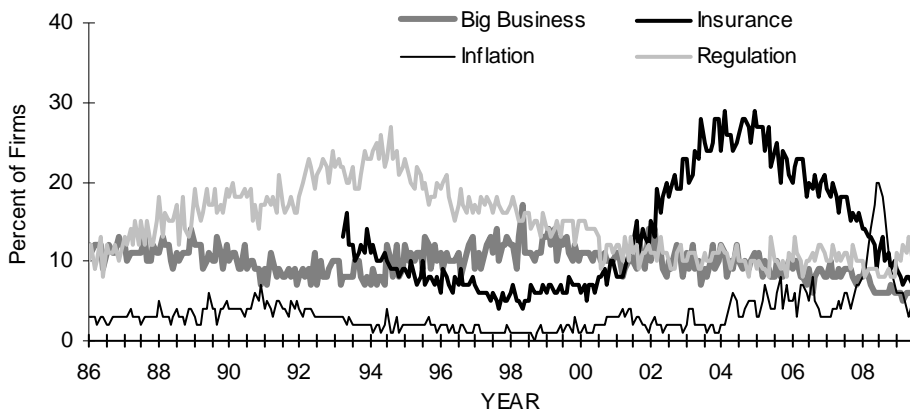
August 2009

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	18	17	32	8
<b>Inflation</b>	5	18	41	0
<b>Poor Sales</b>	32	18	33	2
<b>Fin. &amp; Interest Rates</b>	4	2	37	1
<b>Cost of Labor</b>	5	4	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	11	8	27	4
<b>Comp. From Large Bus.</b>	8	6	14	4
<b>Quality of Labor</b>	4	9	24	3
<b>Cost/Avail. of Insurance</b>	9	13	29	4
<b>Other</b>	4	5	31	1

## SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

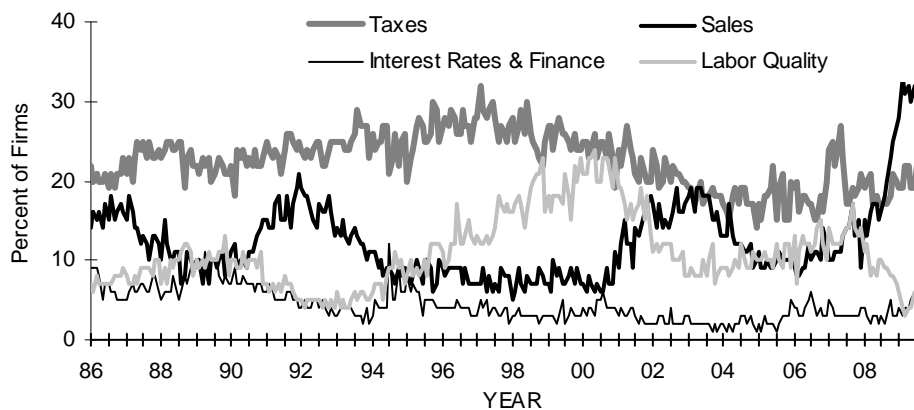
January 1986 to August 2009



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to August 2009



# SURVEY PROFILE

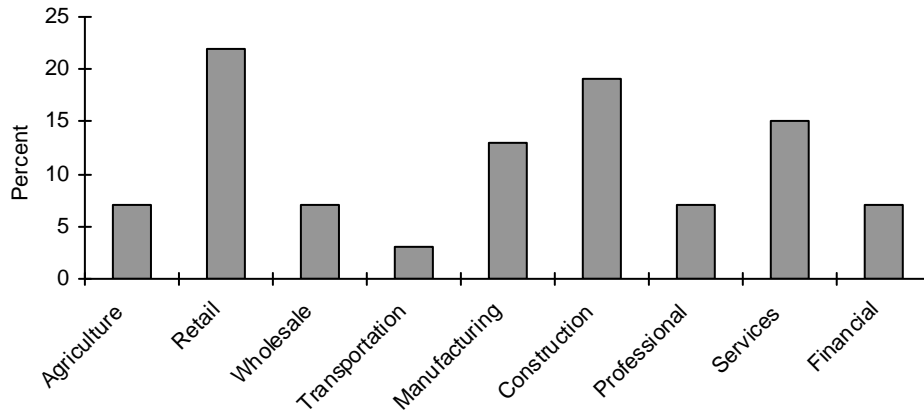
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

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	1794	814	758	1994	882				

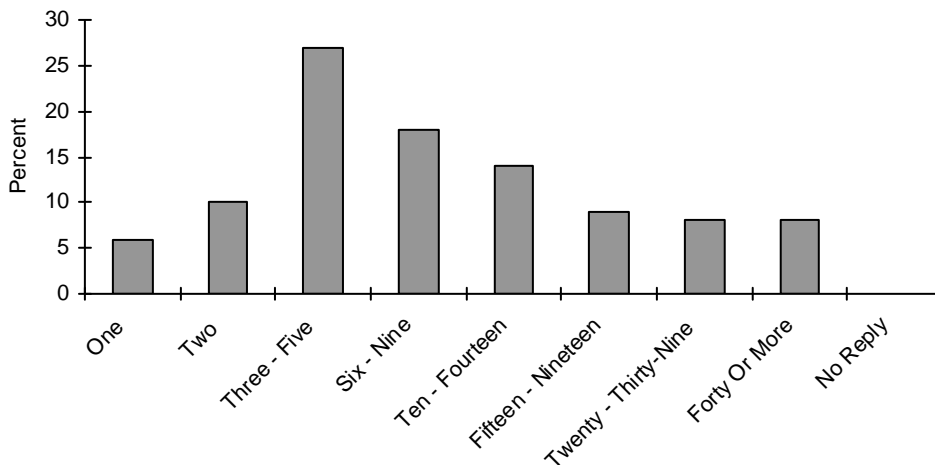
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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>