



NFIB SMALL BUSINESS ECONOMIC TRENDS

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January 2008

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	11%	0	*
Plans to Make Capital Outlays	30%	3	*
Plans to Increase Inventories	-3%	-5	*
Expect Economy to Improve	-10%	0	*
Expect Real Sales Higher	6%	-2	*
Current Inventory	-3%	0	*
Current Job Openings	21%	2	*
Expected Credit Conditions	-10%	-2	*
Now a Good Time to Expand	14%	1	*
Earnings Trends	-20%	5	*
Total Change		2	*

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 Lara Chamberlain are responsible for the report.

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SUMMARY

OPTIMISM INDEX

The Index of Small Business Optimism gained 0.2 points in December, rising to 94.6 (1986=100). Since September, the Index has lost 2.4 points (before base period adjustment). Two-thirds of the decline came from two questions, expected business conditions in six months and expected real sales.

LABOR MARKETS

In December, small-business owners reported increasing employment an average of .18 employees per firm (seasonally adjusted), a fair performance. Forty-seven (47) percent of the owners hired or tried to hire, down three points from November and 10 points from September. Hiring activity is decidedly lower now than at the end of the third quarter. Seventy-nine (79) percent reported few or no qualified applicants for the job openings they were trying to fill. Twenty-one (21) percent (seasonally adjusted) reported unfilled job openings, up two points from November (the 34 year average is 22). Over the next three months, 15 percent plan to create new jobs (up one point), and nine percent plan workforce reductions (down one point), yielding a seasonally adjusted net 11 percent of owners planning to create new jobs – unchanged from October and November, three points below September.

CAPITAL SPENDING

The frequency of reported capital outlays over the past six months rose six points to 62 percent of all firms, a solid increase. Overall, outlays were unchanged or higher in all expenditure categories, a nice improvement. Plans to make capital expenditures over the next few months rose three points to 30 percent of all firms. Fourteen (14) percent of the owners expressed the view that the current period is a good time to expand facilities, up a point from November. A net negative 10 percent expect business conditions to improve over the next six months. Expectations for increases in real sales gave up two points, falling to a net six percent expecting improvements (eight points below September readings). The gain in capital spending plans is a bit surprising given the “recessed” level of optimism about the economy.

INVENTORIES AND SALES

A net negative three percent of owners reported gains in inventory stocks (seasonally adjusted), a three point improvement from November. Inventory reduction appears to be slowing. Unadjusted, 15 percent reported gains and 18 percent reported inventory reductions. For all firms, a net negative three percent reported stocks too low (seasonally adjusted), unchanged from November. The net percent of owners (seasonally adjusted) reporting higher sales gained four points to a net one percent (a good holiday season). Unadjusted, 25 percent of all owners reported higher sales and 26 percent reported lower sales.

This survey was conducted in December 2008. A sample of 3938 small-business owners/members was drawn. Six hundred and seventy (670) usable responses were received – a response rate of 17 percent.



INFLATION

In the midst of all the concerns about big banks being unwilling to lend to each other due to “uncertainty” about where sub-prime mortgages might be lurking, concern about inflation has faded to the background. The net percent of owners reporting higher average selling prices had fallen to a net nine percent of all firms in September but now stands at 16 percent. And plans to raise prices rose from 21 percent in September to 26 percent of all owners. The historic relationship between inflation and the percent of owners reporting higher prices suggests that inflation will be showing some new, unwanted, vitality. Unadjusted, 27 percent reported raising average selling prices, up three points, and 12 percent reported lower selling prices, unchanged.

PROFITS AND WAGES

The percent of owners reporting earnings gains rose five points from November, supported by a solid increase in reports of positive sales trends and price hikes. Demand was solid in the fourth quarter and price cutting was not rampant. Thirty-three (33) percent of all retail firms reported raising average selling prices in contrast to 11 percent cutting prices. Reports of higher compensation rose three points to 24 percent of all firms, but reports of price hikes (26 percent) and a four point improvement in sales trends overcame rising labor costs. Consequently, reports of profitability increased. But further gains will depend on the course of the economy.

CREDIT MARKETS

Regular borrowing activity was reported by 34 percent of the owners, up two points from November but typical of readings for the past fifteen years. The net percent of owners reporting loans harder to get in recent months was unchanged at a net seven percent (eight percent said “harder,” one percent said “easier”, the average this year is six percent), typical of readings for the past several years. Only four percent of the owners cited the cost and availability of credit as their number one business problem. Thirty-two (32) percent reported all their credit needs met compared to seven percent who reported problems obtaining desired financing (up three points), not as favorable a reading as in November. The net percent of owners reporting higher rates on their short-term loans was one percent (seasonally adjusted), down fourteen points from September, a result of the impact of Federal Reserve rate cuts on variable priced loans (including lines of credit). The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted net negative 10 percent (more owners expect that it will be “harder” to arrange financing), two points lower than November and below the average reading for the year. This indicates that some owners now see credit tightening on Main Street in spite of the Federal Reserve’s expansionary policies. But rates are falling and there was no change in the net percent of owners reporting credit harder to get.



COMMENTARY

Well, the fourth quarter will definitely be slower than the third, then again, 4.9 percent real growth is hard to beat! Many observers are urging the Federal Reserve to cut further, but it is not clear how this will keep the economy out of recession. The cuts are supposed to stimulate spending. But housing is so overbuilt, lower rates will not get builders to construct new homes that are not needed. Housing starts will occur normally in markets that were not overbuilt, but overbuilt markets such as Florida and California (and costal cities in general) do not need more new homes. In other markets such as Michigan and Ohio, the weak economies will not support much new construction.

Savers are losing interest income, not helpful in terms of supporting consumer spending. Low rates wont get businesses to buy capital equipment they cant use (e.g. sagging expectations for sales and business conditions will reduce capital spending).

It may be a coincidence, but it is clear that after the September 18 surprise cut and the announcement of the Federal Reserve's economic outlook, owner sentiment and spending and hiring plans declined substantially after making a nice surge in the first weeks of September. An additional rate cut at Halloween and more warnings about the economy further weakened owner expectations. Two-thirds of the decline in the Index since September came from two components: the outlook for real sales and expectations for business conditions six months from now. The deterioration of expectations triggered a pull-back in the labor market indicators that accounted for the remaining third of the decline. It is hard to avoid concluding that the Federal Reserve's action in September triggered behavior by small-business owners (half of private Gross Domestic Product and 60 percent of the private workforce) that contributed to the decline in economic activity experienced in the fourth quarter.

While the Fed "fiddles" over big bank problems, inflation continues to "burn". In September, a net nine percent reported higher selling prices. In December, a net sixteen percent reported raising average selling prices. This is not consistent with "2%" inflation.

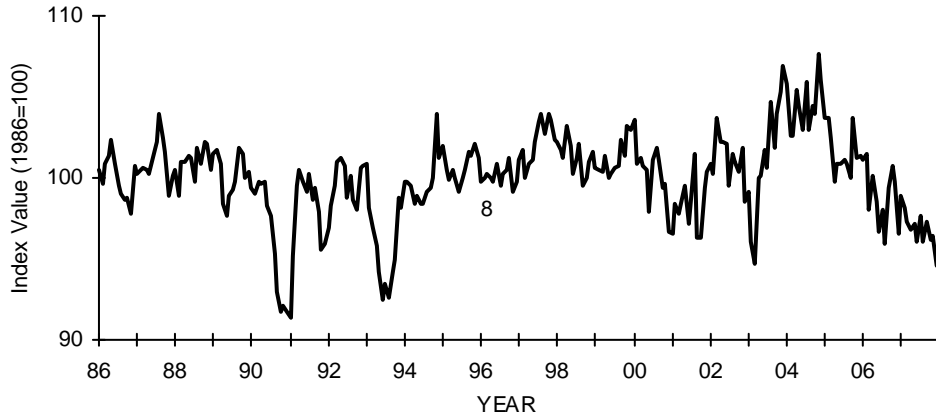
Overall, no recession in the data, just slow growth with, unfortunately, higher than desired inflation. No sign of a significant "credit crunch" on Main Street, so it's still about a handful of big banks and their problems (a few business owners probably borrow from Citicorp or Bank of America and may feel their pain). More rate cuts are likely, the market is demanding it and the Federal Reserve is likely to comply. This will help the big financial institutions, but will not get more houses built or increase capital spending or get consumers to spend more money (rates do not matter much for consumer spending outside of housing).



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)

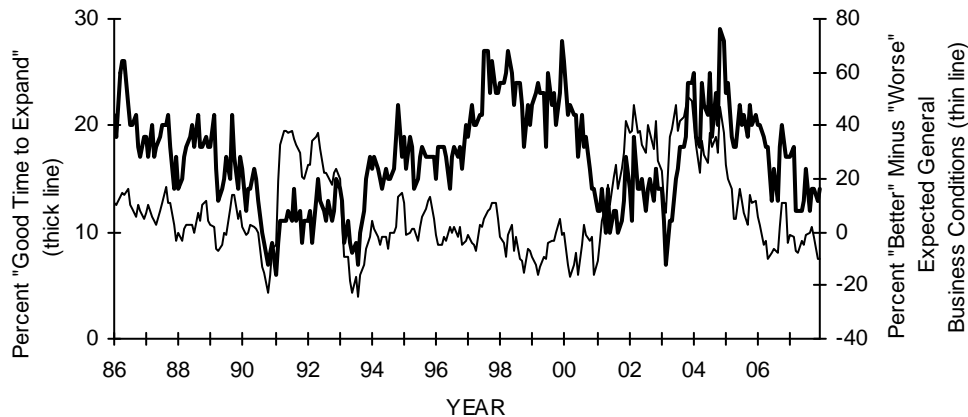
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	100.8	100.3	103.7	102.2	102.3	102.1	99.5	101.5	101.0	100.4	101.9	98.5
2003	99.2	96.1	94.7	100.0	100.1	101.7	100.6	104.7	101.9	104.0	105.3	106.9
2004	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
2005	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
2006	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
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



SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January 1986 to December 2007
(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
2002	14	11	19	14	14	15	12	14	15	13	16	14
2003	14	11	7	11	11	15	16	18	18	19	24	24
2004	25	19	18	24	22	21	25	19	23	20	29	28
2005	23	24	19	18	18	22	20	21	19	22	20	21
2006	20	20	19	18	18	13	16	13	18	20	17	17
2007	17	18	12	12	12	13	16	12	14	14	13	14

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
December 2007

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	4	40	12
Sales Prospects	5	7	2
Fin. & Interest Rates	1	2	1
Cost of Expansion	0	5	4
Political Climate	0	5	6
Other/Not Available	1	1	3



OUTLOOK FOR GENERAL BUSINESS CONDITIONS

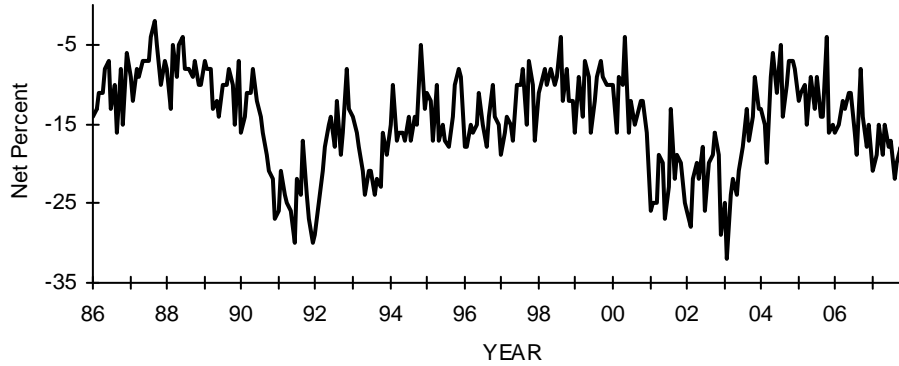
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	37	38	48	37	38	33	30	40	37	31	42	27
2003	23	12	7	36	39	48	38	42	43	47	51	49
2004	41	33	22	34	29	26	37	32	36	30	47	37
2005	25	20	16	5	5	16	12	7	3	14	11	12
2006	6	3	-5	-3	-10	-8	-6	-8	2	11	11	-4
2007	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-10

SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to December 2007
(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
2002	-26	-28	-22	-20	-22	-18	-26	-20	-19	-16	-19	-29
2003	-25	-32	-24	-22	-24	-21	-18	-13	-17	-14	-9	-13
2004	-13	-15	-20	-9	-6	-11	-5	-14	-10	-7	-7	-8
2005	-12	-11	-10	-15	-9	-13	-9	-14	-14	-4	-16	-15
2006	-16	-15	-12	-13	-11	-11	-16	-19	-8	-14	-18	-15
2007	-21	-19	-15	-19	-15	-18	-17	-22	-20	-18	-25	-20



MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
December 2007

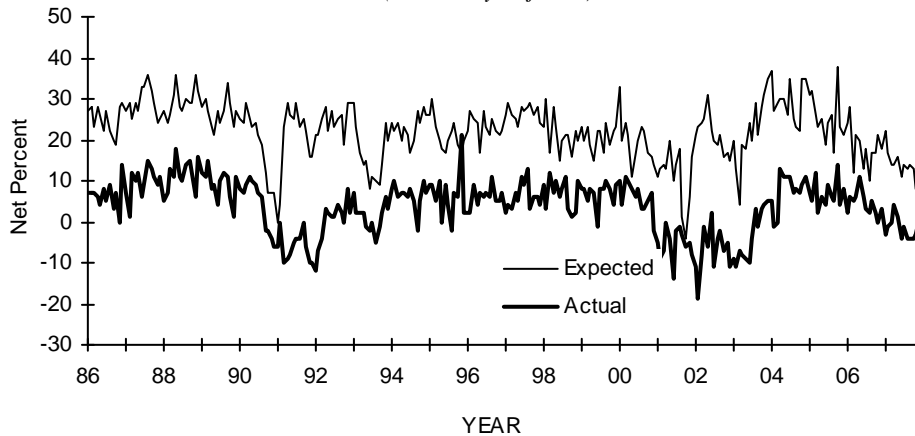
Reason	Current Month	One Year Ago	Two Years Ago
Sales Volume	17	12	12
Increased Costs*	11	12	9
Cut Selling Prices	3	3	2
Usual Seasonal Change	5	4	5
Other	1	4	1

* 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 December 2007
 (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
2002	-11	-19	-8	-1	-6	2	-11	-4	-2	-7	-5	-11
2003	-9	-11	-7	-8	-9	-10	-4	3	-1	3	4	5
2004	5	-1	0	13	11	11	11	7	8	7	9	11
2005	7	5	12	2	6	4	9	6	5	14	4	8
2006	2	6	5	6	11	6	3	2	5	2	0	3
2007	-3	-1	0	4	1	-4	-1	-4	-4	-4	-3	1

SALES EXPECTATIONS

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

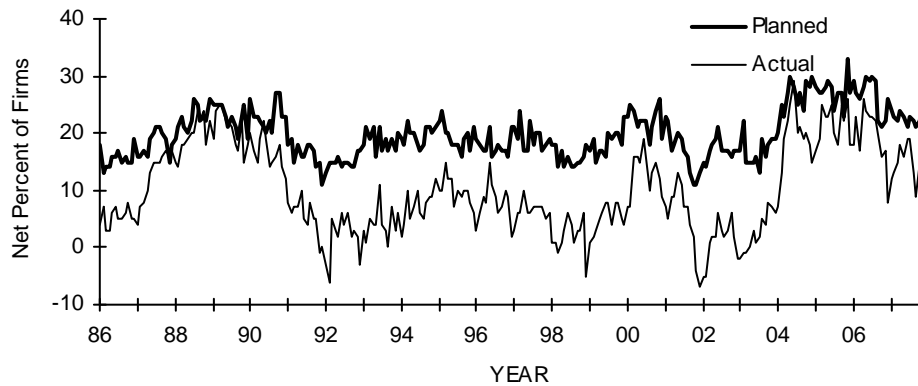
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	21	23	24	25	31	22	20	19	21	16	17	15
2003	20	13	4	19	18	24	20	29	21	28	31	35
2004	37	27	29	30	30	26	35	25	23	22	35	35
2005	31	32	26	23	25	19	24	26	17	38	23	21
2006	24	28	12	21	20	13	18	10	17	17	21	18
2007	22	17	14	14	16	11	14	13	14	13	8	6



SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January 1986 to December 2007
 (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
2002	-5	-5	1	2	2	6	3	2	3	6	2	-2
2003	-2	-1	-1	0	3	1	2	5	4	8	7	6
2004	7	13	19	22	25	29	20	21	19	20	18	15
2005	17	19	25	23	23	25	20	18	25	22	26	18
2006	18	23	17	26	24	23	23	22	20	16	17	8
2007	12	13	15	18	16	19	19	13	9	15	14	16



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
2002	15	14	17	18	19	21	17	17	17	16	17	17
2003	17	22	15	15	15	16	13	19	16	18	19	19
2004	20	25	23	27	30	28	25	27	24	29	28	30
2005	28	27	27	28	29	28	24	27	27	23	33	27
2006	29	27	26	28	30	29	30	29	22	21	22	26
2007	24	23	22	24	23	21	23	22	21	22	26	26

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
2002	-5	-2	-4	-7	-3	-4	-2	2	-1	1	-2	0
2003	-3	-1	-5	-7	-7	-4	-3	6	2	4	0	4
2004	0	0	-2	0	3	2	7	5	5	6	7	11
2005	4	3	4	-1	1	4	7	7	0	14	4	1
2006	1	4	-1	-3	-3	-2	2	5	-3	5	0	3
2007	2	4	-6	-5	-2	0	1	4	-1	3	0	2

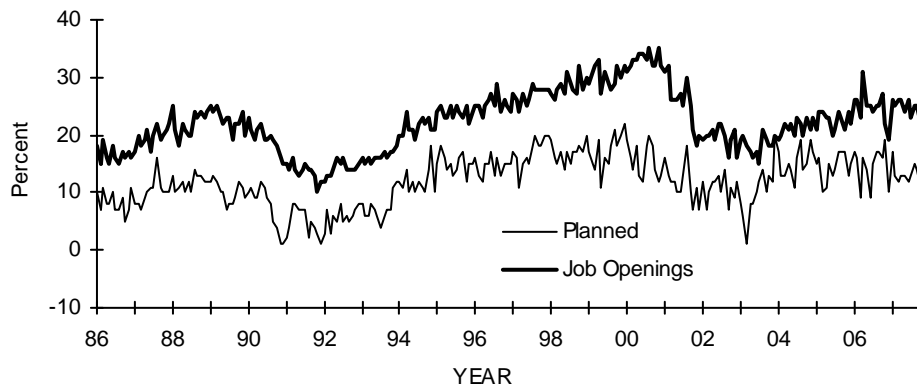
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	35	36	38	38	36	40	40	39	38	36	38	35
2003	34	36	33	31	34	36	35	39	40	36	34	39
2004	33	37	39	35	40	37	39	42	36	42	39	41
2005	36	38	41	39	41	39	41	41	39	41	46	42
2006	40	40	39	41	46	45	42	46	44	46	44	40
2007	41	41	43	43	42	45	43	44	48	46	40	37

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to December 2007
(Seasonally Adjusted)



SMALL BUSINESS EMPLOYMENT (CONTINUED)

JOB OPENINGS

Percent With Positions Not Able to Fill Right Now
(Seasonally Adjusted)

	21	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002		19	20	20	21	19	22	22	20	16	19	21	16
2003		19	20	18	17	16	17	15	21	19	18	18	20
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

HIRING PLANS

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

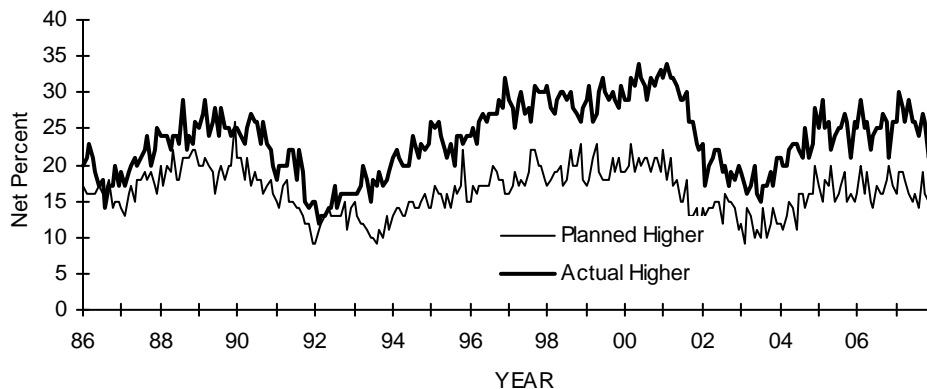
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	12	7	10	12	12	13	10	14	7	11	9	12
2003	8	6	1	8	8	10	12	14	10	13	12	20
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11



SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to December 2007 (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
26												
2002	23	17	20	21	22	22	19	20	17	19	18	20
2003	19	17	16	17	20	16	15	17	17	19	17	21
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

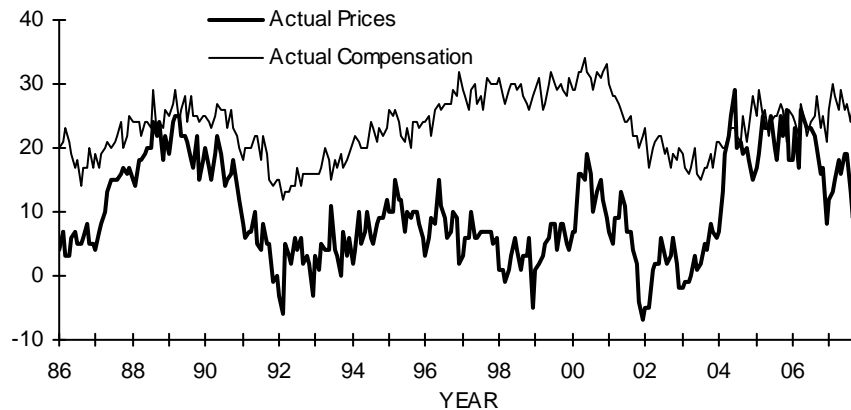
COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	14	13	14	14	15	15	12	16	15	15	14	11
2003	12	9	14	13	10	11	10	14	10	12	14	12
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

PRICES AND LABOR COMPENSATION

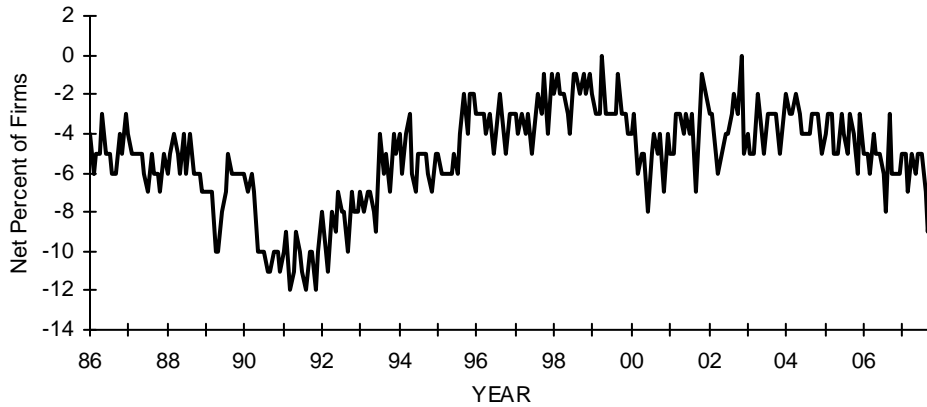
Net Percent Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to December 2007



* 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
2002	34	39	37	36	35	36	32	29	35	37	38	34
2003	36	38	37	36	34	37	34	38	35	36	34	30
2004	36	35	40	36	35	33	35	35	33	35	33	38
2005	36	35	37	39	40	39	34	40	36	34	38	34
2006	37	38	36	40	38	41	38	46	35	37	38	35
2007	37	39	35	37	38	35	36	35	36	36	32	34



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
2002	-3	-3	-5	-6	-5	-4	-4	-3	-2	-3	0	-5
2003	-4	-5	-5	-2	-3	-5	-3	-3	-3	-3	-5	-3
2004	-2	-3	-3	-2	-3	-4	-4	-4	-3	-3	-3	-5
2005	-4	-3	-3	-5	-5	-3	-4	-5	-3	-4	-6	-3
2006	-5	-5	-6	-4	-5	-5	-6	-8	-3	-6	-6	-6
2007	-5	-5	-7	-5	-6	-5	-5	-7	-9	-6	-7	-7

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
2002	35/5	40/4	34/7	37/7	35/5	34/5	34/7	31/6	37/3	35/6	36/4	37/6
2003	36/6	37/6	35/6	35/6	35/6	35/6	37/6	38/6	37/6	36/6	32/6	32/6
2004	36/6	36/8	38/6	37/6	34/5	34/5	37/5	35/7	36/5	35/5	36/3	39/4
2005	38/4	39/4	39/5	38/6	41/4	39/5	34/5	36/4	34/4	34/5	39/4	35/5
2006	36/4	37/6	36/6	38/5	38/5	39/5	38/4	44/4	34/4	36/7	34/4	36/5
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

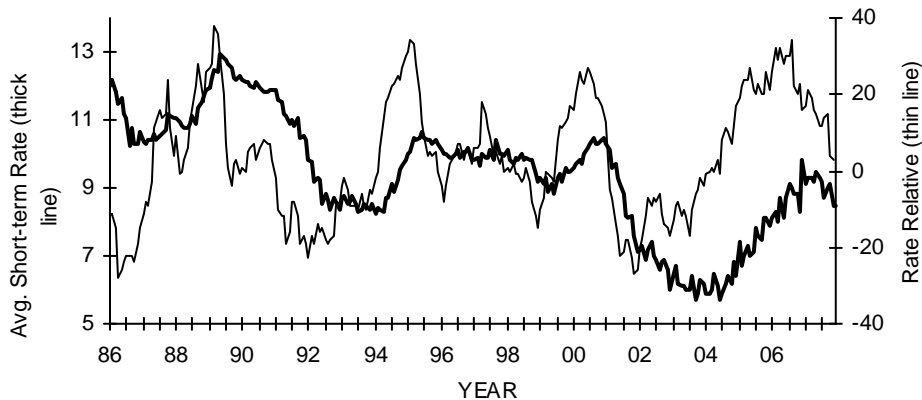
EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	-4	-6	-7	-8	-5	-5	-6	-4	-5	-6	-4	-7
2003	-6	-6	-7	-4	-6	-6	-4	-5	-5	-6	-7	-5
2004	-5	-6	-4	-4	-5	-6	-6	-6	-3	-5	-4	-7
2005	-4	-3	-6	-6	-8	-7	-5	-8	-6	-5	-8	-5
2006	-6	-7	-7	-8	-8	-8	-7	-9	-5	-6	-5	-7
2007	-7	-8	-8	-7	-6	-6	-6	-9	-10	-8	-8	-10

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to December 2007



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
2002	-20	-18	-12	-7	-9	-7	-8	-6	-11	-14	-15	-17
2003	-13	-9	-8	-12	-10	-12	-17	-10	-6	-5	-2	-4
2004	-1	0	1	0	3	-1	8	11	10	7	12	17
2005	19	22	24	24	27	21	20	23	20	20	26	21
2006	26	32	29	32	28	30	30	34	22	20	23	16
2007	17	21	19	16	15	12	12	14	15	4	3	1

Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

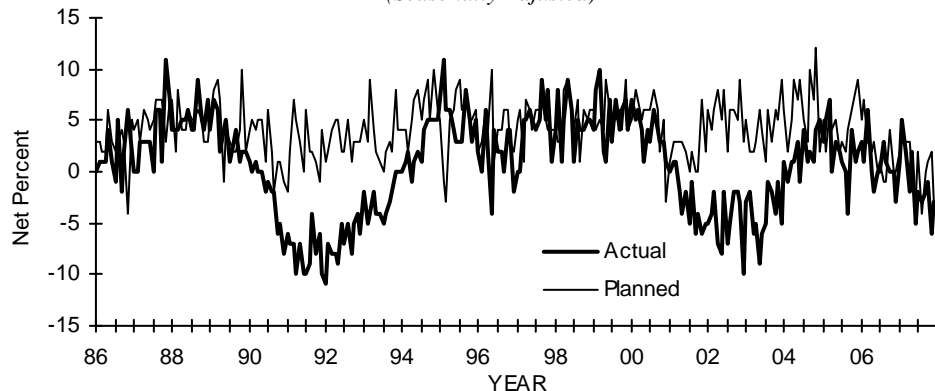
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	7.2	7.3	6.9	7.2	7.4	7.0	6.9	6.6	6.8	6.9	6.6	6.0
2003	6.5	6.7	6.2	6.1	6.1	6.0	6.0	6.4	5.7	5.9	6.3	6.2
2004	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
2005	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
2006	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
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



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January 1986 to December 2007
(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
2002	-5	-4	-2	-7	-8	-2	-7	-5	-2	-2	-3	-10
2003	-3	-2	-6	-5	-9	-6	-5	-1	-2	-4	-1	-5
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

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
2002	-4	-3	3	-2	-4	-1	-2	-3	-2	-4	-5	-3
2003	-3	-3	2	-3	0	-5	-4	2	-2	0	-1	-6
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

INVENTORY PLANS

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

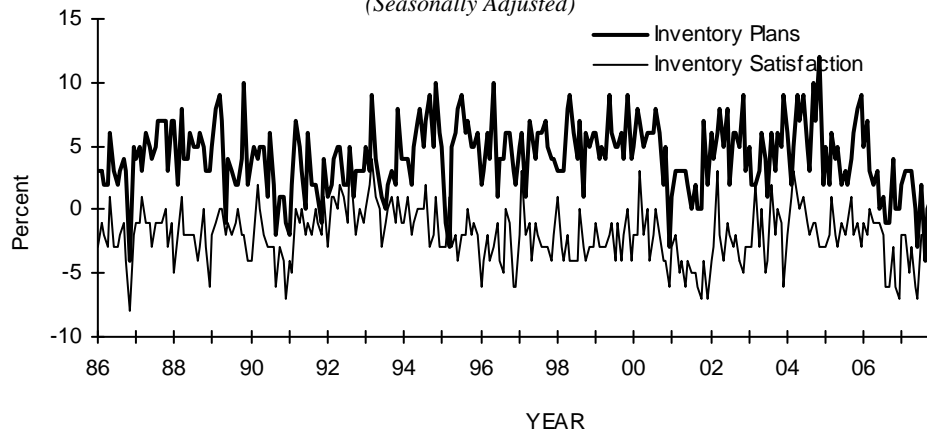
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	6	4	6	8	5	8	2	6	6	5	9	3
2003	5	2	2	3	6	4	1	6	3	6	5	9
2004	6	2	5	9	7	9	5	3	10	7	12	2
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3



SMALL BUSINESS CAPITAL OUTLAYS

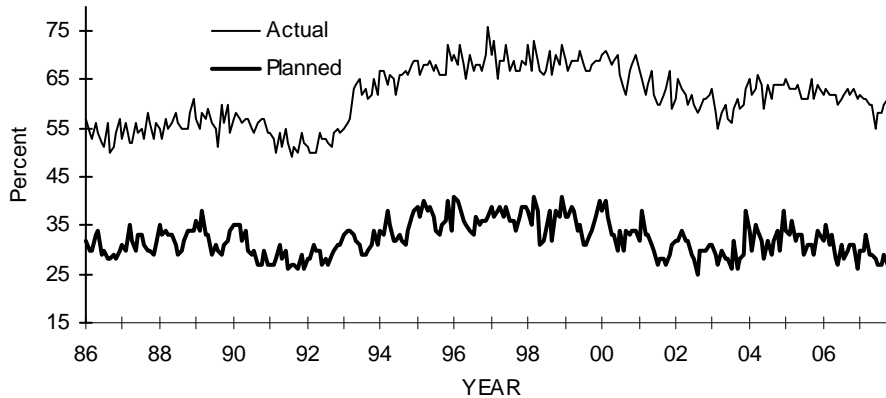
INVENTORY SATISFACTION AND INVENTORY PLANS

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 December 2007
(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
2002	61	65	63	62	60	62	60	58	59	61	61	62
2003	63	58	55	58	60	57	56	59	61	59	60	63
2004	65	62	63	66	64	59	64	61	64	64	64	64
2005	65	63	63	63	64	61	61	61	65	61	64	63
2006	62	63	62	62	62	60	61	62	63	62	63	61
2007	62	61	61	60	60	55	58	58	60	61	56	62

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	21	26	30
Equipment	47	49	47
Furniture or Fixtures	14	16	14
Add. Bldgs. or Land	8	8	6
Improved Bldgs. or Land	16	15	17

AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	4	0	2
\$1,000 to \$4,999	11	4	14
\$5,000 to \$9,999	8	9	7
\$10,000 to \$49,999	19	15	17
\$50,000 to \$99,999	8	14	10
\$100,000 +	9	20	12
No Answer	3	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
2002	32	32	34	32	32	29	28	25	30	30	30	31
2003	31	29	27	30	28	28	26	32	26	28	29	38
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

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM

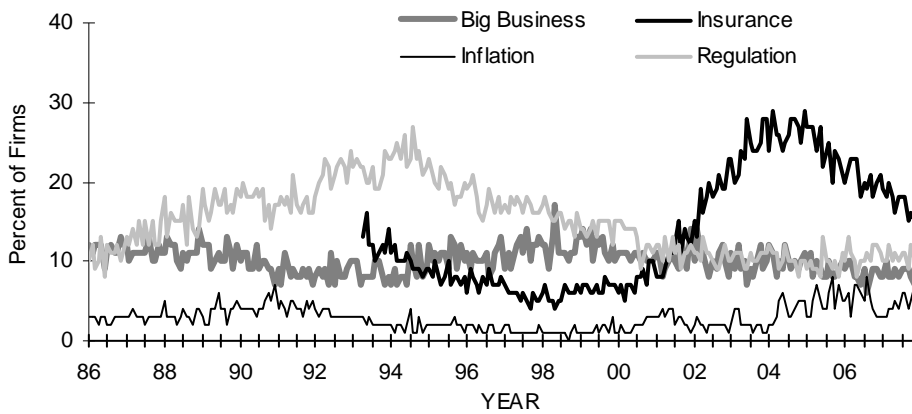
December 2007

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	21	20	32	8
Inflation	7	5	41	0
Poor Sales	9	10	22	2
Fin. & Interest Rates	4	3	37	1
Cost of Labor	4	6	9	2
Govt. Reqs. & Red Tape	10	11	27	4
Comp. From Large Bus.	8	10	14	4
Quality of Labor	14	9	24	3
Cost/Avail. of Insurance	16	21	29	4
Other	7	4	31	1

SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

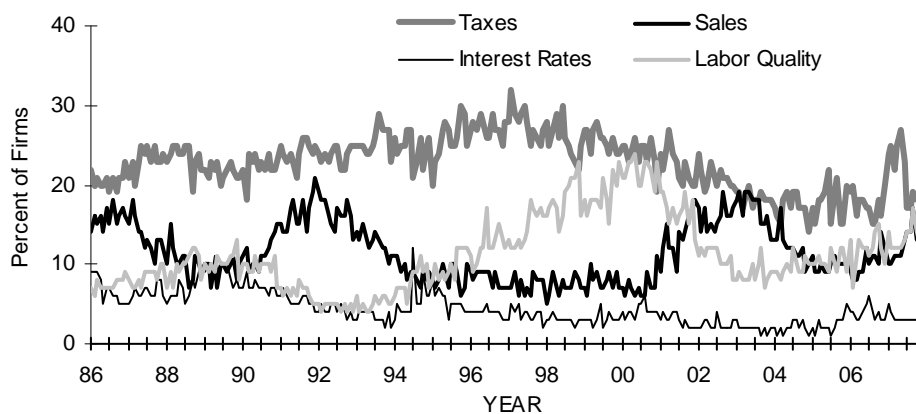
January 1986 to December 2007



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to December 2007



SURVEY PROFILE

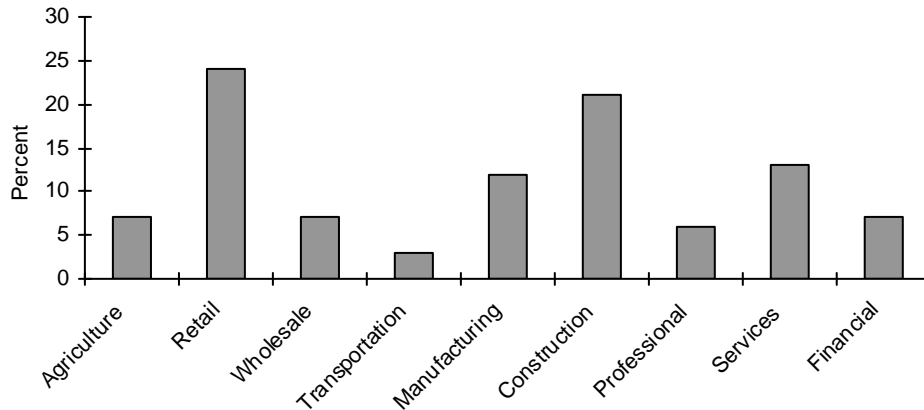
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	1547	576	553	1458	608	569	1341	480	547	1264	582	488
2003	1204	539	555	1393	558	530	1160	544	555	1205	629	460
2004	1245	587	474	1274	487	468	1221	503	480	1221	574	441
2005	1239	495	409	1220	489	427	1116	499	423	1116	532	481
2006	1274	484	471	1094	440	416	1007	480	380	1075	451	446
2007	1755	750	737	1703	618	589	1613	720	674	1614	719	670

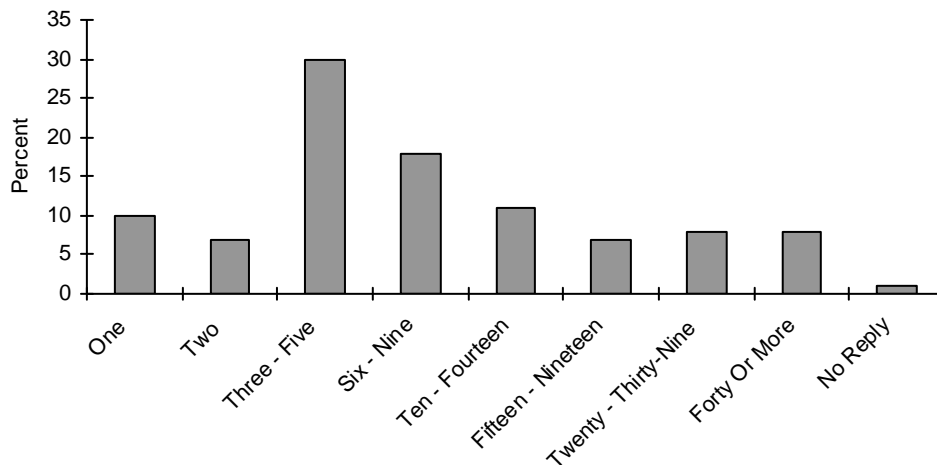
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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