



NFIB SMALL BUSINESS ECONOMIC TRENDS

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January 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	-6%	-2	*
Plans to Make Capital Outlays	17%	-4	*
Plans to Increase Inventories	-4%	2	*
Expect Economy to Improve	-13%	-11	*
Expect Real Sales Higher	-18%	-4	*
Current Inventory	-7%	-3	*
Current Job Openings	14%	0	*
Expected Credit Conditions	-15%	-2	*
Now a Good Time to Expand	7%	0	*
Earnings Trends	-42%	-4	*
Total Change		28	*

Column 1 is the current reading; column 2 is the change from the prior month; column 3 the percent of the total change accounted for by each component; * is under 1 percent and not a meaningful calculation.

NFIB SMALL BUSINESS ECONOMIC TRENDS

The NFIB Research Foundation has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986. The sample is drawn from the membership files of the National Federation of Independent Business (NFIB). Each was mailed a questionnaire and one reminder. Subscriptions for twelve monthly SBET issues are \$250. Historical and unadjusted data are available, along with a copy of the questionnaire, from the NFIB Research Foundation. You may reproduce Small Business Economic Trends items if you cite the publication name and date and note it is a copyright of the NFIB Research Foundation. © NFIB Research Foundation. ISBS #0940791-24-2. Chief Economist William C. Dunkelberg and Policy Analyst Holly Wade are responsible for the report.

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SUMMARY

OPTIMISM INDEX

December was not a good month. The Index of Small Business Optimism fell 2.6 points to 85.2 (1986=100), the second lowest reading in the 35 year history of the survey (the Index fell to 80.1 in 1980:2).

LABOR MARKETS

Seasonally adjusted, there was a decline in average employment per firm of 0.86 workers reported by small business owners in December, the largest monthly decline in survey history. Eight percent of the owners increased employment by an average of 3.2 workers per firm but 26 percent reduced employment at average of 4.2 workers per firm (seasonally adjusted). Forty (40) percent of the owners hired or tried to hire (down 3 points from November, down from 57 percent in September, 2007). Fourteen (14) percent (seasonally adjusted) reported unfilled job openings, unchanged from October (the 34 year average is 22 percent), good that this important determinant of the unemployment rate did not decline in the fourth quarter. However, weaker hiring plans will push the unemployment rate over the 7 percent mark. Over the next three months, 8 percent plan to create new jobs (up 2 points), and 19 percent plan workforce reductions (up 2 points), yielding a seasonally adjusted net negative 6 percent of owners planning to create new jobs, the third lowest reading in survey history. The small business economy is weak everywhere.

CAPITAL SPENDING

The frequency of reported capital outlays over the past six months fell 5 points to 51 percent of all firms as owners defer any project not essential to the survival of the firm (and consequently loan demand is lower). Plans to make capital expenditures over the next few months fell 4 points to 17 percent, lower only in the 1974-5 period. Seven percent characterized the current period as a good time to expand facilities, unchanged from November, but historically low.

INVENTORIES AND SALES

Small business owners continued to liquidate inventories, a negative for fourth quarter GDP numbers. A net negative 21 percent of owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted, 4 points worse than November), the 9th negative double digit month in a row. For all firms, a net negative 7 percent (down 3 points) reported stocks too low (seasonally adjusted). The net percent of all owners (seasonally adjusted) reporting higher sales in the past three months lost 4 points, falling to a net negative 29 percent, the worst reading in survey history.



INFLATION

Price pressures vanished in November and disinflation appeared in December. The net percent of owners reporting higher average selling prices dropped 6 points to a net negative 6 percent in December. This represents a 38 percentage point decline in the percent of owners raising average selling prices since July, an unprecedented decline in six months. Plans to raise prices fell 8 points to a net seasonally adjusted 3 percent of owners, 35 points below the July reading. This is good news for the Fed. In construction, a net 7 percent plan price hikes, in manufacturing a net 12 percent, and among retailers, a net 13 percent plan hikes – this in a very weak economy. It is unlikely that these planned hikes will stick, although as is always the case, the entire economy is not in recession, some sectors and regions are not as distressed as others and some firms will be able to raise prices.

PROFITS AND WAGES

Profit gains deteriorated another four points to a negative 42 percent, a record low. A year ago, reports of positive profit trends were 22 points better! In December 2008, not seasonally adjusted, 12 percent reported profits higher (down 2 points), but 53 percent reported profits falling (up 3 points). Getting cheap loans or mark-downs on the purchase price of equipment is not sufficient to stimulate much spending if the equipment isn't needed to serve customers. Of the owners reporting higher earnings (12 percent, down 2 points), 43 percent cited stronger sales (down 21 points) as the cause, and 7 percent each credited lower materials costs and higher selling prices. For those reporting lower earnings compared to the previous three months (53 percent, up 3 points), 51 percent cited weaker sales (down 3 points), 4 percent blamed higher compensation costs, 17 percent cited higher materials costs (including energy), 2 percent cited insurance costs, and 8 percent blamed lower selling prices.



CREDIT MARKETS

As the economy weakens, loan demand remains weak. Only 33 percent reported regular borrowing, close to the record low of 31 percent. As noted above, plans to add to inventories and plans for capital outlays have declined to historically low levels since September of 2007, reducing the demand for loans. Because of the slowdown in the economy, the credit worthiness of many potential borrowers has also deteriorated over the last year, leading to more difficult terms and higher loan rejection rates (even with no change in lending standards). Thirty-two (32) percent reported all their borrowing needs met (up 1 point) compared to 6 percent who reported problems obtaining desired financing (down 1 point). The net percent reporting all borrowing needs satisfied improved 2 points to 26 percent (the low for the series of 22 percent was reached in 1993, the question was first asked in 1993).

COMMENTARY

The December NFIB survey did not provide much fuel for optimism about growth prospects in the near term. The net percent of owners planning to create new jobs is a negative 6 percent, rivaling readings in the 1974-5 and 1980-82 periods. The percent with unfilled openings is the lowest since 1992 (but still better than in 1990-91 and 1980-82 periods) and unchanged for 3 months, a good sign. Reports of declining sales are the largest in survey history (magnitudes of the declines are unknown). Planned capital expenditures are at record low levels – projects are being postponed to conserve cash!

Pricing power has vanished, with more firms reporting price reductions than price increases, the start of “disinflation” of sorts. Interestingly, only in the retail and wholesale trades did more owners report price increases than decreases in average selling prices, but only by small margins (25 percent of the firms in the sample). Consumers failed to “save” the fourth quarter as “Black Friday” turned to various shades of grey, then pink, then red as consumers tried to “save” themselves by spending less and saving more.

The National Bureau of Economic Research, the official “historians” of the business cycle, report that the economy has been in recession for a year, peaking in December, 2007. Since then, the economy has slogged its way downhill. The first quarter posted growth of 0.9 percent followed by 2.8 percent in the second, then -0.5 percent in the third quarter this year. This was driven primarily by export growth (and a weak dollar and falling oil prices). No “rule of thumb” recession (two quarters of negative growth back to back) yet, but with fourth quarter growth expected to be about negative 5 percent, we’ll satisfy the rule.

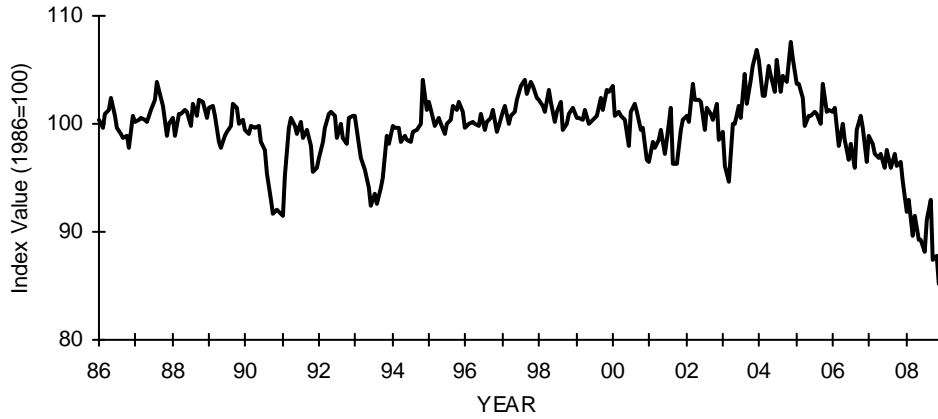
The recession is trying to sort out the winners from the losers, a necessary process. Government policy is, in simple terms, interfering by providing “humanitarian relief” to struggling firms and consumers to blunt the impact of the adjustment on its citizens. At 7 percent unemployment, 93 out of every hundred people that want a job have one (better than the best of times in many industrialized countries). Unemployment benefits and bailouts that prevent job loss being enforced by the market share the burden of those caught up in the process with those who are less harmed. This is typically the way the story plays out and there will be long term implications as always. At the end of this chapter of our economic history, the reach of government into the private sector will be large indeed and how well the economy does going forward will depend in part on how this is managed. As always, we will be hampered in this by the political imperative of the next election, now less than two years away.



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)

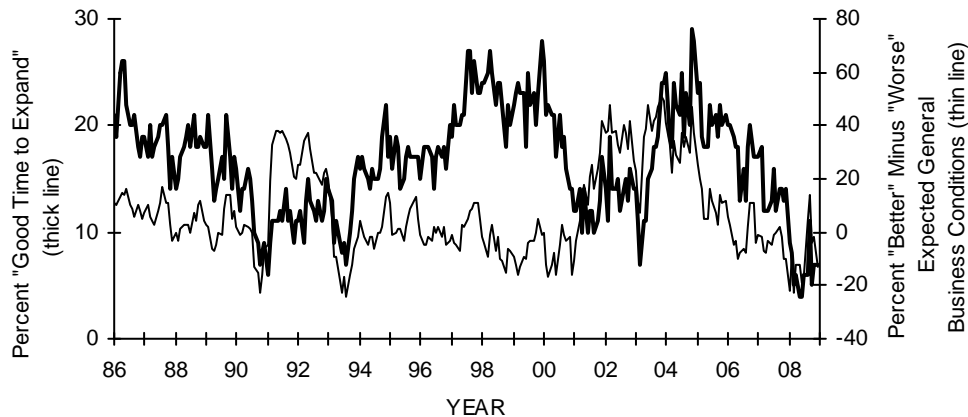
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	99.2	96.1	94.7	100.0	100.1	101.7	100.6	104.7	101.9	104.0	105.3	106.9
2004	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
2005	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
2006	101.1	101.5	98.0	100.1	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
2008	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2



SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January 1986 to December 2008
(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
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
2008	9	8	5	6	4	4	6	6	11	5	7	7

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
December 2008

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	2	65	9
Sales Prospects	1	4	1
Fin. & Interest Rates	0	1	1
Cost of Expansion	0	1	1
Political Climate	0	6	1
Other/Not Available	1	3	1



OUTLOOK FOR GENERAL BUSINESS CONDITIONS

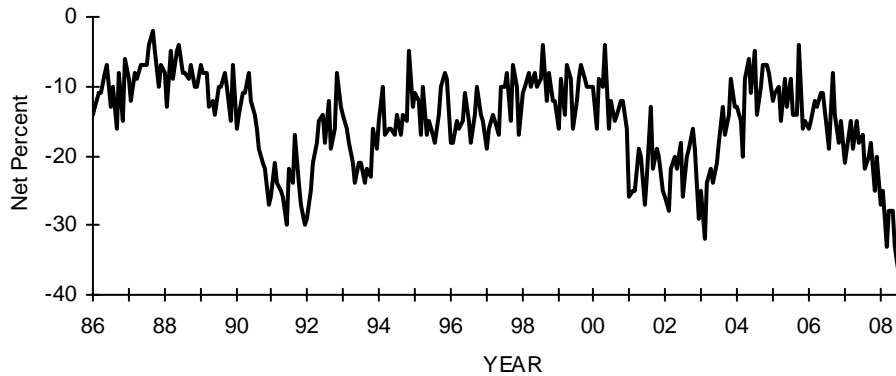
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13

SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to December 2008
(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
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
2008	-27	-25	-33	-28	-28	-33	-37	-30	-35	-35	-38	-42



MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
December 2008

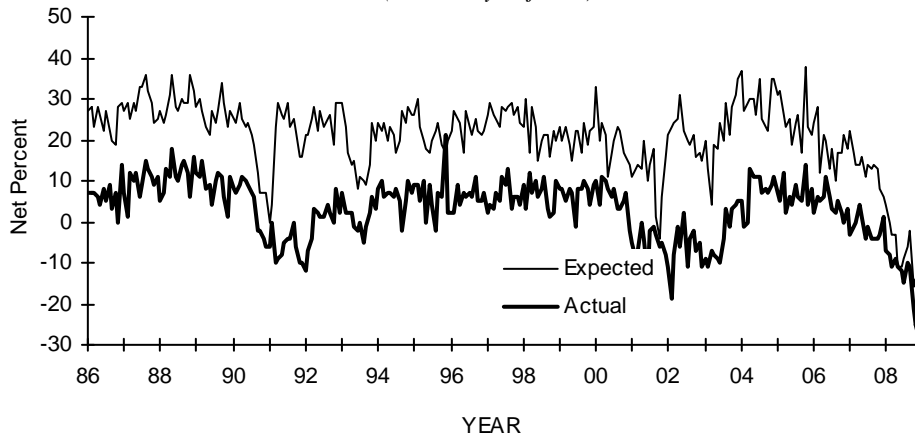
Reason	Current Month	One Year Ago	Two Years Ago
Sales Volume	27	17	14
Increased Costs*	13	13	12
Cut Selling Prices	4	3	3
Usual Seasonal Change	5	5	4
Other	4	1	4

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

SMALL BUSINESS SALES

SALES

Actual (Prior Three Months) and Expected (Next Three Months)
January 1986 to December 2008
(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
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
2008	-7	-8	-11	-9	-11	-12	-15	-10	-11	-21	-25	-29



SALES EXPECTATIONS

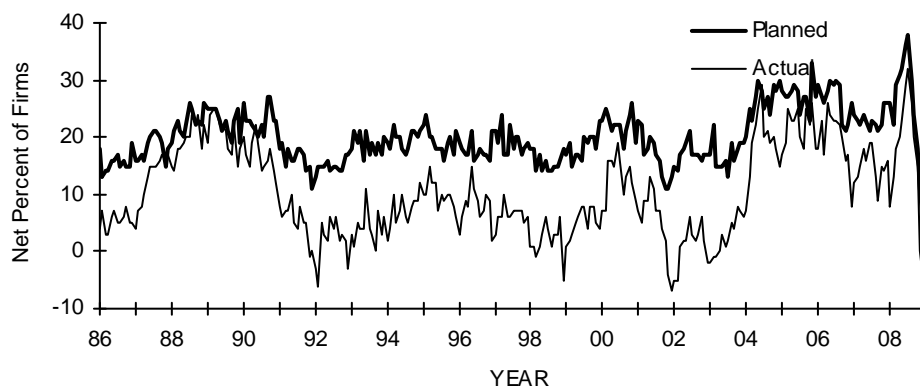
Net Percent (“Higher” Minus “Lower”) During Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18

SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January 1986 to December 2008
 (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
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
2008	8	13	18	20	23	29	32	26	20	15	0	-6



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
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
2008	26	22	29	31	32	36	38	30	24	18	11	3

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
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
2008	0	-3	-7	-9	-10	-12	-5	-4	-10	-9	-10	-18

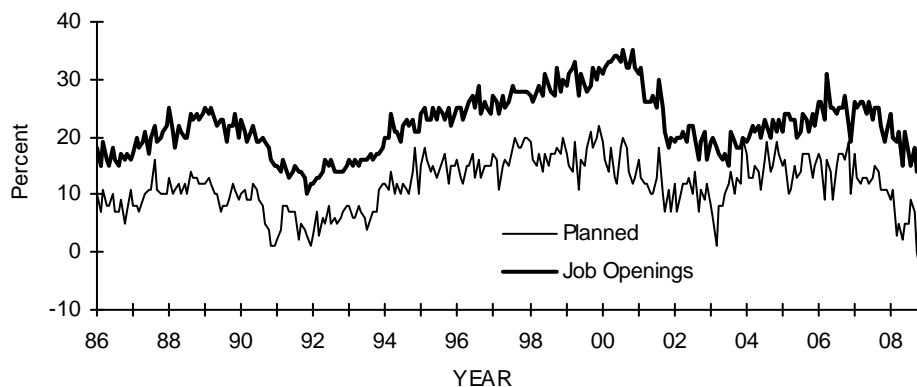
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	37	36	36	37	33	39	36	35	38	35	31	30

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to December 2008
(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
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
2008		24	20	19	21	15	21	17	15	18	14	14	14

HIRING PLANS

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

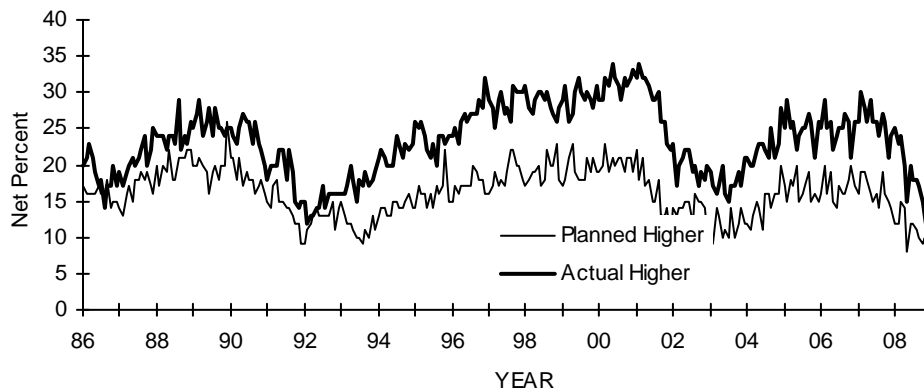
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	8	6	1	8	8	10	12	14	10	13	12	20
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11
2008	9	11	3	5	2	5	5	9	7	0	-4	-6



SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to December 2008 (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
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
2008	25	23	24	20	15	20	18	18	17	15	13	9

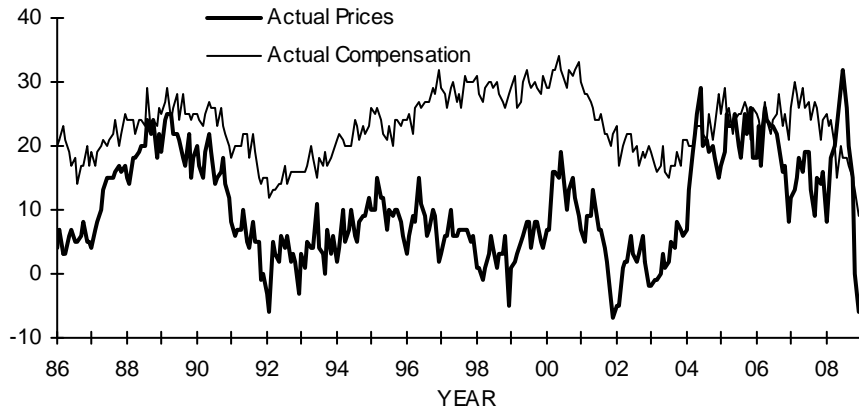
COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	12	12	15	14	8	12	12	11	10	9	10	4

PRICES AND LABOR COMPENSATION

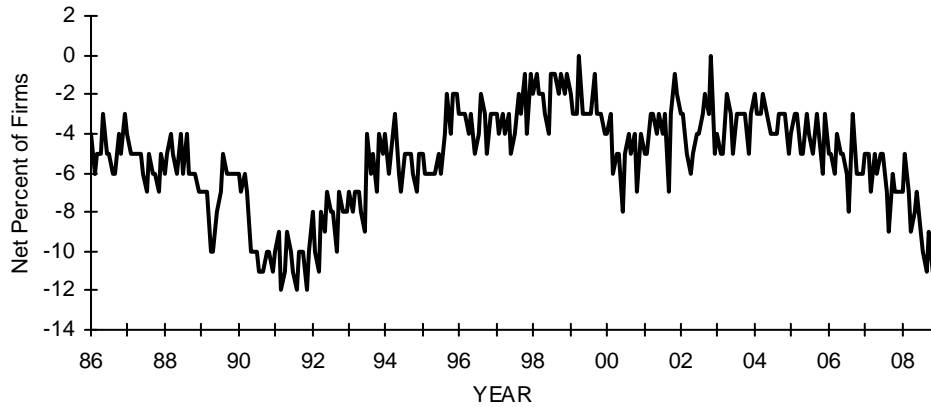
Net Percent Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to December 2008



* 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
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
2008	36	34	33	36	35	35	34	34	32	33	31	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
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
2008	-7	-5	-7	-9	-8	-7	-9	-10	-11	-9	-11	-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
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
2008	34/5	35/4	32/6	34/5	34/7	35/5	32/7	35/6	33/6	31/6	31/7	32/6

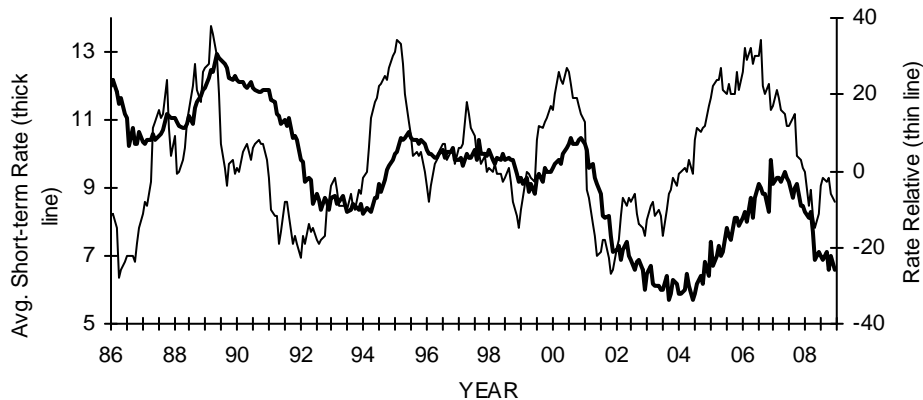
EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	-9	-8	-9	-11	-10	-10	-12	-11	-13	-16	-13	-15

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to December 2008



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
2003	-13	-9	-8	-12	-10	-12	-17	-10	-6	-5	-2	-4
2004	-1	0	1	0	3	-1	8	11	10	11	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
2008	0	-9	-5	-12	-15	-11	-4	-2	-3	-2	-6	-8

Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

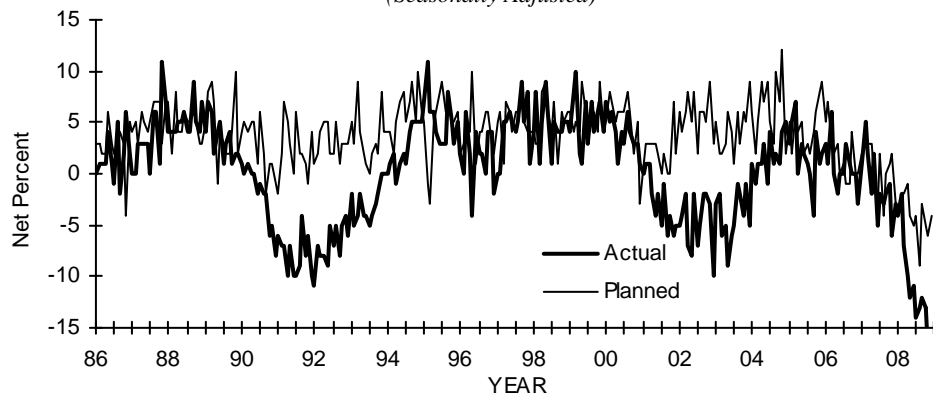
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	6.5	6.7	6.2	6.1	6.1	6.0	6.0	6.4	5.7	5.9	6.3	6.2
2004	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
2005	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
2006	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
2007	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
2008	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January 1986 to December 2008
(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
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
2008	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21

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
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
2008	-4	-4	-1	-1	-3	-1	-4	-3	-1	-4	-4	-7

INVENTORY PLANS

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

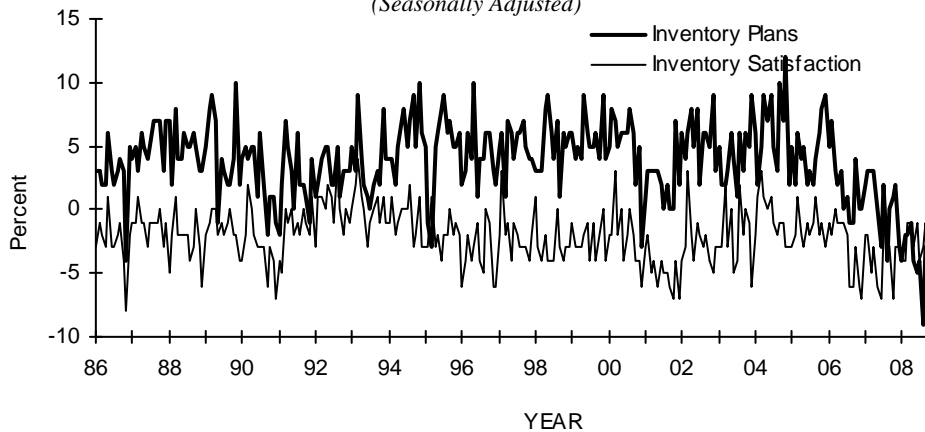
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	5	2	2	3	6	4	1	6	3	6	5	9
2004	6	2	5	9	7	9	5	3	10	7	12	2
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4



SMALL BUSINESS CAPITAL OUTLAYS

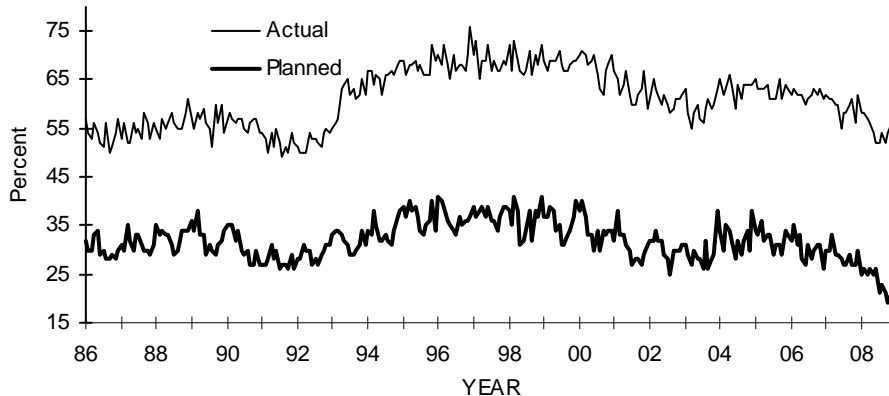
INVENTORY SATISFACTION AND INVENTORY PLANS

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 2008
(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
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
2008	58	58	57	56	54	52	52	54	52	54	56	51

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	21	26
Equipment	36	47	49
Furniture or Fixtures	9	14	16
Add. Bldgs. or Land	4	8	8
Improved Bldgs. or Land	11	16	15

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	4	2
\$1,000 to \$4,999	8	11	14
\$5,000 to \$9,999	5	8	7
\$10,000 to \$49,999	18	19	17
\$50,000 to \$99,999	6	8	10
\$100,000 +	10	9	12
No Answer	1	3	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
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
2008	25	26	25	26	25	26	21	23	21	19	21	17

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM

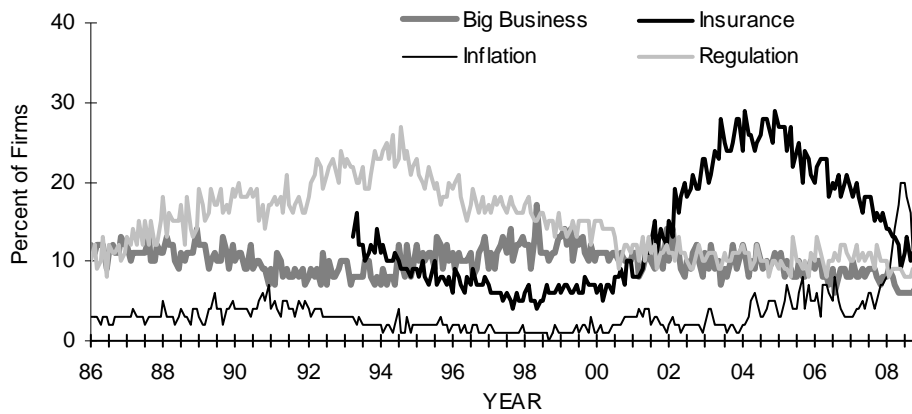
December 2008

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

SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

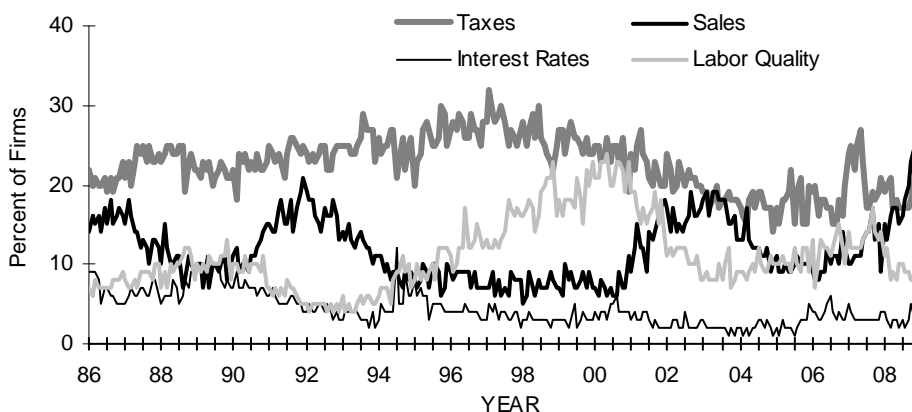
January 1986 to December 2008



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to December 2008



SURVEY PROFILE

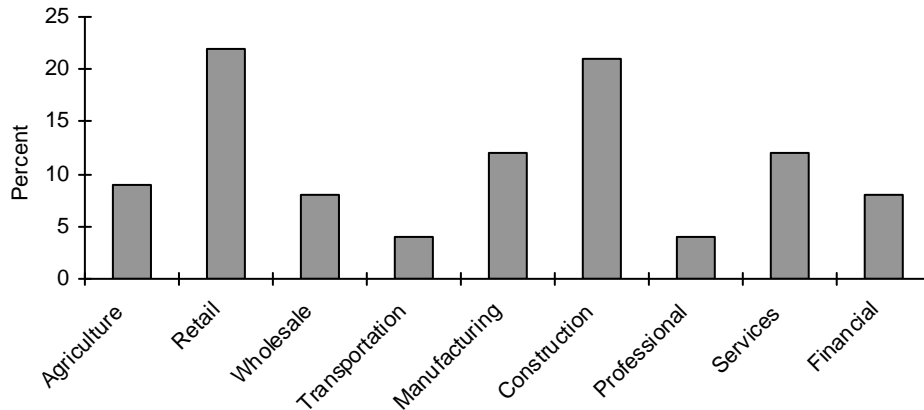
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2008	1845	700	735	1768	737	703	1827	812	743	1992	826	805

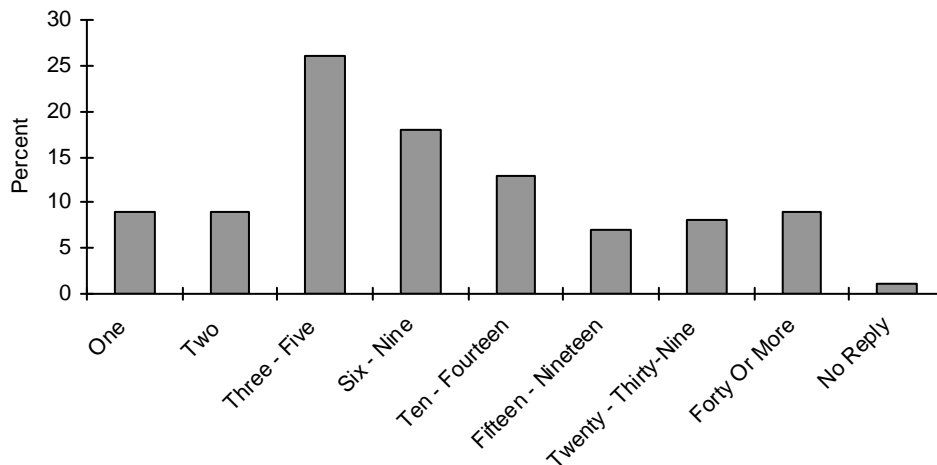
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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



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