



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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May 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	-5%	5	8%
Plans to Make Capital Outlays	19%	3	5%
Plans to Increase Inventories	-7%	6	9%
Expect Economy to Improve	2%	24	38%
Expect Real Sales Higher	-11%	20	31%
Current Inventory	-7%	6	9%
Current Job Openings	9%	-1	-2%
Expected Credit Conditions	-12%	2	3%
Now a Good Time to Expand	4%	3	5%
Earnings Trends	-43%	3	5%
<b>Total Change</b>		<b>64</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 rebounded 5.8 points in April to 86.8 (1986=100), led higher by 8 of the 10 Index components. All three of the “hard components” (job creation plans, inventory investment plans and capital spending plans) rose, although they are still at anemic levels. Assuming April’s numbers are not merely a brief interruption of a longer recession, this is good news for Gross Domestic Product growth and a rescue of the job market.

## LABOR MARKETS

Seasonally adjusted, there was a decline in average employment per firm for the first quarter by small business owners in April. Nine percent (seasonally adjusted) reported unfilled job openings, down a point from March, relatively stable for the past few months and historically low. Over the next three months, 10 percent plan to reduce employment (down two points), and 13 percent plan to create new jobs (up one point), yielding a seasonally adjusted net negative 5 percent of owners planning to create new jobs, a five point improvement. It appears that owners are not through with their labor-based cost cutting, but it is slowing. In addition to reducing employment, owners are reducing compensation. A record high 11 percent reported reducing worker compensation and a near-record low 12 percent reported raising worker compensation, helping to keep the lid on labor costs.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months fell four points to 46 percent of all firms, 10 points lower than year ago levels. Owners continue to defer any project not essential to the survival of the firm (and consequently loan demand is lower). Overall, the performance was dismal. But, the longer owners postpone investment, the larger the pool of “pent up demand” for new equipment and improvements and expansion of facilities that will eventually re-start the economy. Plans to make capital expenditures over the next few months rose three points to 19 percent, historically very low, but headed up for a change.

## INVENTORIES AND SALES

Small business owners continued to liquidate inventories. A net negative 27 percent of all owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted), four points lower than March and a new record low. Inventories are being reduced at a record pace. For all firms, a net negative five percent (a one point deterioration) reported stocks too low. But the net percent of all owners (seasonally adjusted) reporting higher sales in the past three months gained six points, rising to a net negative 28 percent, still in the tank but headed up, not down



# SUMMARY

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## INFLATION

In April, 12 percent of small business owners reported raising their average selling prices (down one point), while 34 percent reported reductions in average selling prices. Seasonally adjusted, the net percent of owners raising prices was negative 24 percent, far more cutting prices than raising them. That translates into “disinflation.” But, prices probably cannot continue to be reduced, unless the firm goes out of business. The percent of owners citing inflation as their number one problem (e.g. costs coming in the “back door” of the business) fell two points to four percent. The average percent of owners citing inflation as their #1 problem since the monthly surveys were started in 1986 is 3 percent. More firms reported cutting average selling prices than raising them in all industries.

## PROFITS AND WAGES

Reports of positive profit trends improved three points to a net negative 43 percentage points, not much to cheer about, but at least headed toward improvement. Pricing power has vanished and reports of sales declines are at record high levels because of reduced demand and widespread price cuts. Wage pressures are falling as owners not only reduce employment, but also the compensation of remaining workers. Seasonally adjusted, a net 5 percent reported raising compensation, one point better than the record low from March. Poor sales and price cuts are responsible for much of the weakness in profits. Rising labor costs are not an issue.

## CREDIT MARKETS

As the economy weakened, loan demand faded as fewer capital projects were undertaken and inventory investment fell as stocks were liquidated. Thirty-three (33) percent reported regular borrowing, typical of the past 20 years. Because of the slowdown in the economy, the credit worthiness of many potential borrowers has deteriorated over the last year, leading to more difficult terms and higher loan rejection rates (even with no change in lending standards), but there is no rush to borrow money like that observed in the pre-1983 period. Thirty (30) percent reported all their borrowing needs met (up one point) compared to 8 percent who reported problems obtaining desired financing (down two points). The net percent reporting all borrowing needs satisfied rose three points to 22 percent. This data series has only covered the 2001 recession period, making historical comparisons more difficult, but it does appear that difficulties in arranging needed financing have become more frequent in 2009. So, it appears that as the recession drags on, financing becomes more difficult to arrange (profits do not improve, loan payments harder to make on time etc.). The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted net negative 12 percent (more owners expect that it will be “harder” to arrange financing), two points better than the March reading. Owners do not see credit conditions easing in spite of the Federal Reserve’s hugely expansionary policies.



# COMMENTARY

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Most commentators compare our current situation to our experience in the 1980-82 period. There are similarities in the behavior of owner optimism, although the problems facing the economy were quite different (15 percent inflation, 21 percent prime rate, 17 percent mortgage rates, 10 percent unemployment rate). The Optimism Index peaked in 1976:2 at 103.2 and fell to the record low reading of 80.1 in 1980:2. This was a decline of 23 points in 16 quarters. Optimism peaked in the current expansion at 105.8 in 2004:3 (although virtually identical readings occurred in the prior two quarters) and fell 22 points to 84.1 in January this year. Both declines were about 20 percent in magnitude and over roughly the same period of time. In 13 quarters, the Index rebounded 28 points to 107.7 in 1983:3, signaling the start of the 1980s expansion. The April Index reading rebounded 5.8 points from March and is up 2.7 points from January. Perhaps this is the beginning of the end of the recession.

The 6.1 percent decline reported for GDP in the first quarter had some good news. Almost half was due to reductions in inventory to meet an unexpectedly solid increase of 2.2 percent in consumer spending. This means that inventory left store shelves at a faster rate, increasing the urgency to replace inventory in future periods. The NFIB data indicate inventory reductions are widespread, with an unprecedented 13 quarters during which double digit percentages of owners reported reducing stocks. Indeed, should spending recover at a faster pace than most expect, prices may come under pressure – on the up side. The gap between desired and actual inventories could be huge if sales rebound solidly.

Overall, “pent up demand” is building rapidly in the economy. Capital spending and inventory investment are at record low levels as are plans to increase spending. The reduction in employment is unprecedented in survey history and likely overdone. Prices have been cut to reduce inventory, but cut to unsustainably low levels. Car sales, usually around 15 million annually cannot stay at 9 million. New housing units are being constructed at a third the rate normally needed. Population growth and household formation continue apace and all the new households are not all going to live in Florida and California where excess house supply is huge. Trillions of dollars sit on the sidelines in money market funds earning virtually nothing. The “dykes” are starting to leak, a flood is a significant upside risk. In the long run, consumers spend a fairly steady share of their income. The rapid growth in paper wealth and easy credit allowed them to get ahead of themselves, but they are starting to even things out and this will support gains in spending as the economy recovers.

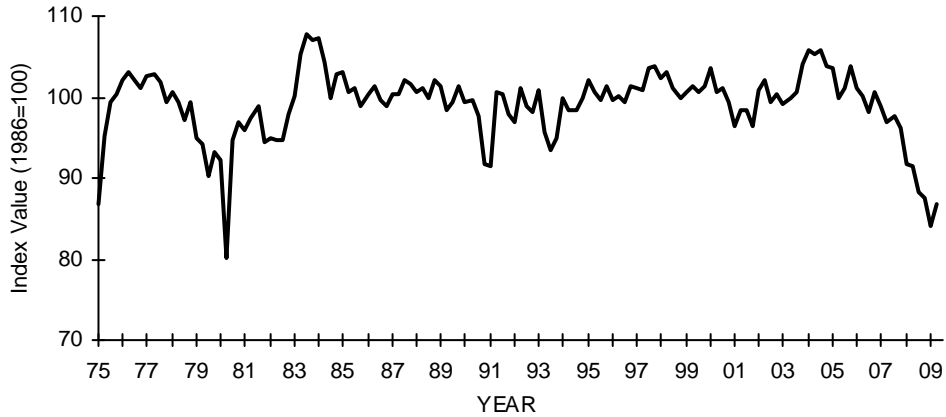
The uncertainty now lies with government policies. Just how much of a headwind will new regulations, “nationalization,” higher taxes, spending that diverts private resources to public use and a stunning level of borrowing that could crowd out private investment pose for the economy? Can the Federal Reserve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



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

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

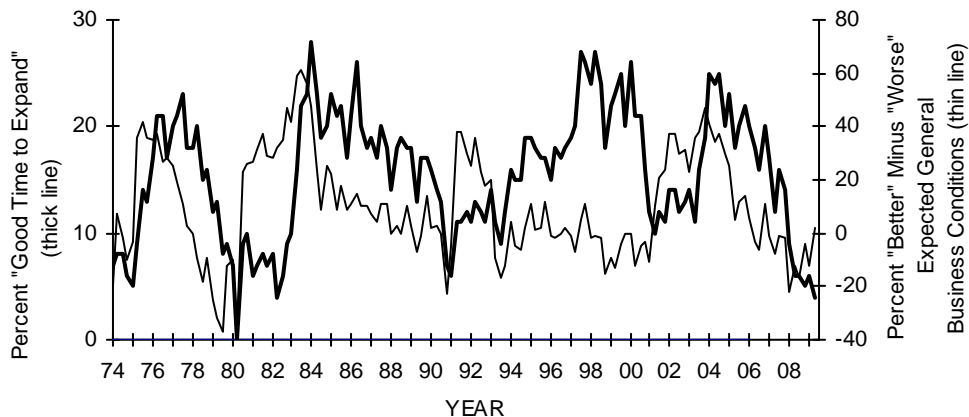
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
<b>2005</b>	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
<b>2008</b>	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
<b>2009</b>	84.1	82.6	81.0	86.8								



## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January Quarter 1974 to April Quarter 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								

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
April 2009

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	2	53	13
<b>Sales Prospects</b>	2	6	1
<b>Fin. &amp; Interest Rates</b>	1	2	1
<b>Cost of Expansion</b>	1	2	1
<b>Political Climate</b>	0	8	3
<b>Other/Not Available</b>	1	0	1

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

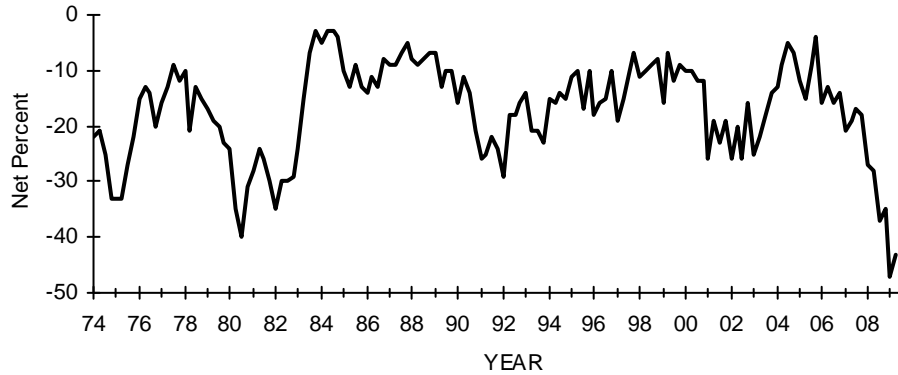
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	41	33	22	34	29	26	37	32	36	30	47	
<b>2005</b>	25	20	16	5	5	16	12	7	3	14	11	37
<b>2006</b>	6	3	-5	-3	-10	-8	-6	-8	2	11	11	12
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-4
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2								



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January Quarter 1974 to April Quarter 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								



## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
April 2009

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	36	21	16
<b>Increased Costs*</b>	8	15	12
<b>Cut Selling Prices</b>	4	3	3
<b>Usual Seasonal Change</b>	6	7	8
<b>Other</b>	6	4	4

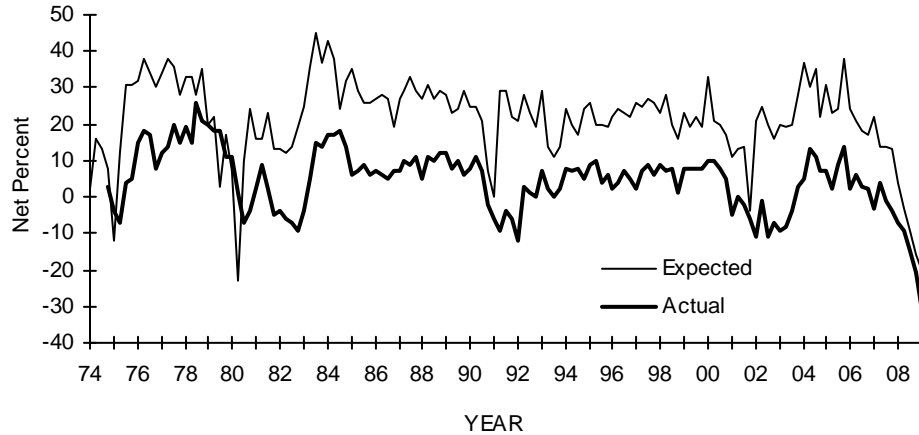
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)  
January 1986 to April 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								

## SALES EXPECTATIONS

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

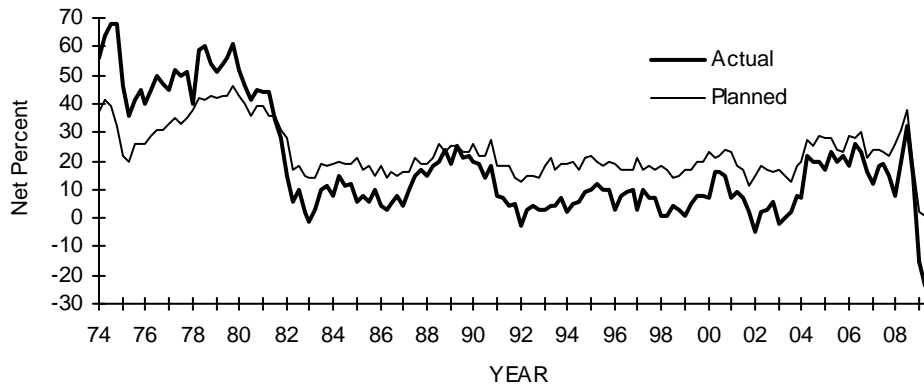
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	37	27	29	30	30	26	35	25	23	22	35	35
<b>2005</b>	31	32	26	23	25	19	24	26	17	38	23	21
<b>2006</b>	24	28	12	21	20	13	18	10	17	17	21	18
<b>2007</b>	22	17	14	14	16	11	14	13	14	13	8	6
<b>2008</b>	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
<b>2009</b>	-20	-29	-31	-11								



# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
*January Quarter 1974 to April 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								



## 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								

# 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
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
2009	-15	-15	-22	-25								

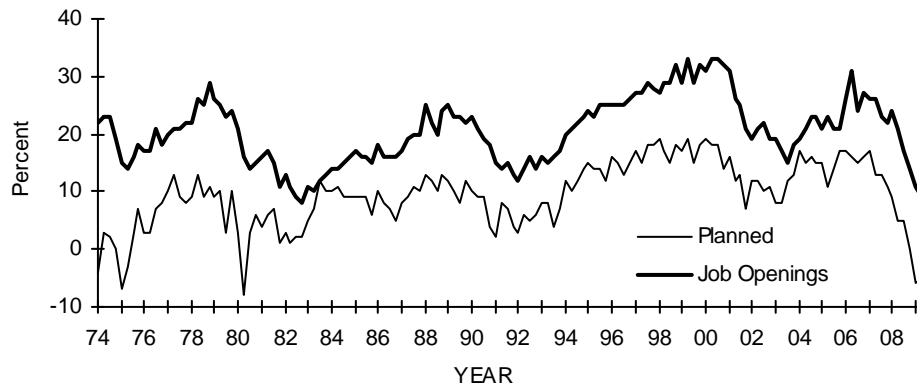
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2009	*	*	24	24								

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January Quarter 1974 to April Quarter 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								

### HIRING PLANS

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

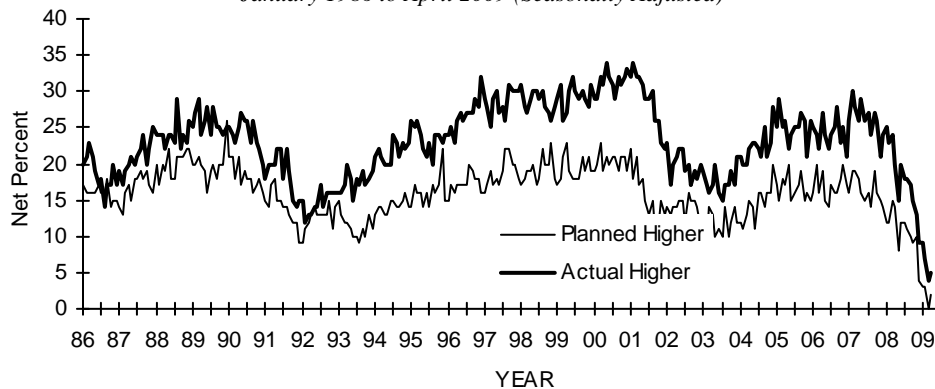
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11
2008	9	11	3	5	2	5	5	9	7	0	-4	-6
2009	-6	-3	-10	-5								



## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to April 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
<b>2004</b>	21	20	20	22	23	23	22	21	25	21	23	28
<b>2005</b>	25	29	25	26	22	24	25	25	27	26	21	26
<b>2006</b>	25	24	22	27	24	22	24	25	28	23	25	21
<b>2007</b>	26	30	28	26	29	26	27	24	27	26	21	24
<b>2008</b>	25	23	24	20	15	20	18	18	17	15	13	9
<b>2009</b>	9	7	4	5								

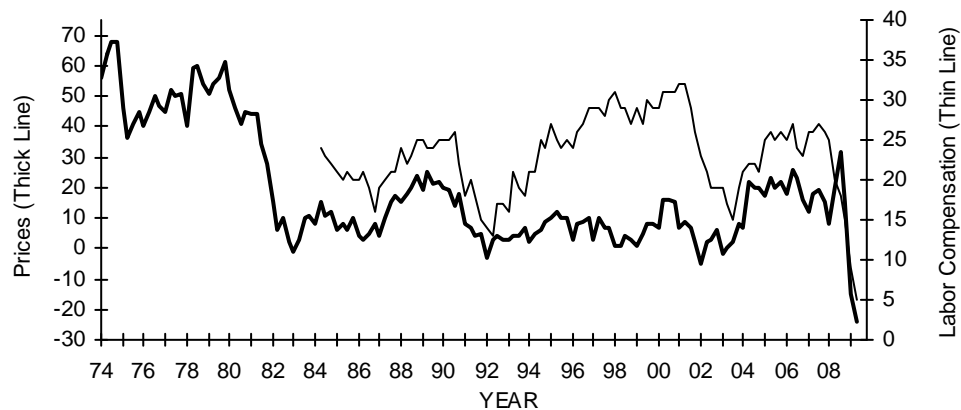
### COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	12	11	13	15	14	11	16	19	14	16	16	20
<b>2005</b>	17	15	18	17	20	15	16	17	19	15	16	15
<b>2006</b>	16	20	16	19	15	14	17	16	16	18	20	17
<b>2007</b>	16	19	19	18	16	15	16	14	19	16	15	14
<b>2008</b>	12	12	15	14	8	12	12	11	10	9	10	4
<b>2009</b>	3	3	0	2								

### PRICES AND LABOR COMPENSATION

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





## 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  
(Borrowers Only)

	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								

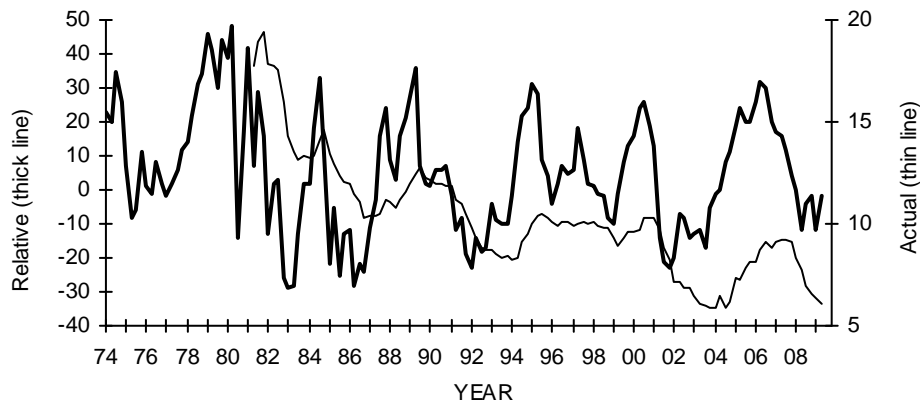
### EXPECTED CREDIT CONDITIONS

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								

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January Quarter 1974 to April Quarter 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								

\*Borrowing at Least Once Every Three Months.

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

Average Interest Rate Paid

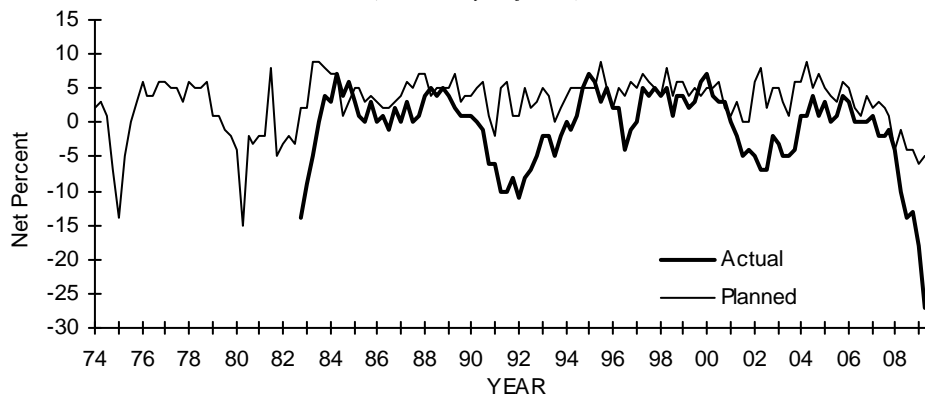
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
<b>2005</b>	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3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



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January Quarter 1974 to April Quarter 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								

### 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								

### 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								





## 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	16	24	23
Equipment	32	38	43
Furniture or Fixtures	9	13	13
Add. Bldgs. or Land	4	6	7
Improved Bldgs. or Land	11	13	13

### AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures  
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	3	3	3
\$1,000 to \$4,999	8	9	9
\$5,000 to \$9,999	5	6	7
\$10,000 to \$49,999	17	21	21
\$50,000 to \$99,999	6	8	9
\$100,000 +	7	9	9
No Answer	0	0	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								



# SINGLE MOST IMPORTANT PROBLEM

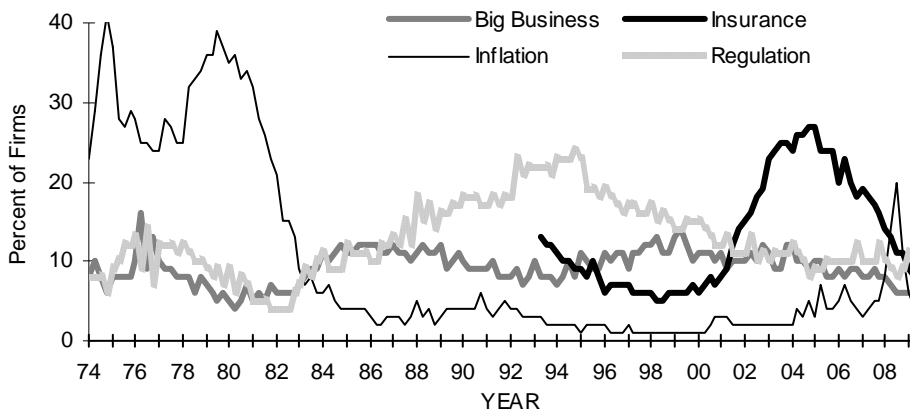
## SINGLE MOST IMPORTANT PROBLEM

April 2009

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	22	17	32	8
<b>Inflation</b>	4	14	41	0
<b>Poor Sales</b>	32	17	33	2
<b>Fin. &amp; Interest Rates</b>	4	3	37	2
<b>Cost of Labor</b>	3	5	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	11	9	27	4
<b>Comp. From Large Bus.</b>	6	7	14	4
<b>Quality of Labor</b>	4	9	23	3
<b>Cost/Avail. of Insurance</b>	8	13	29	4
<b>Other</b>	6	6	31	2

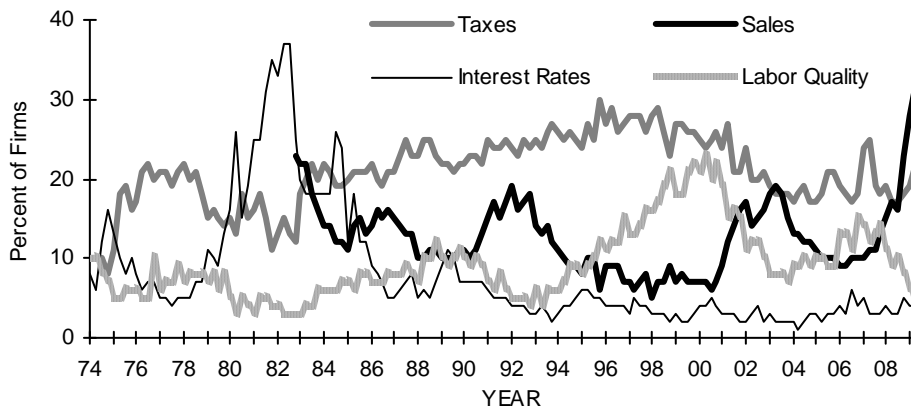
### SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation  
January Quarter 1974 to April Quarter 2009



### SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes  
January Quarter 1974 to April Quarter 2009



# SURVEY PROFILE

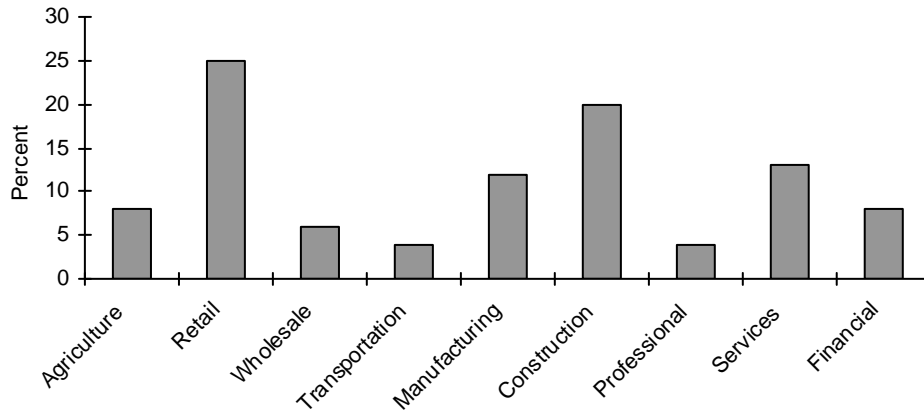
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

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								

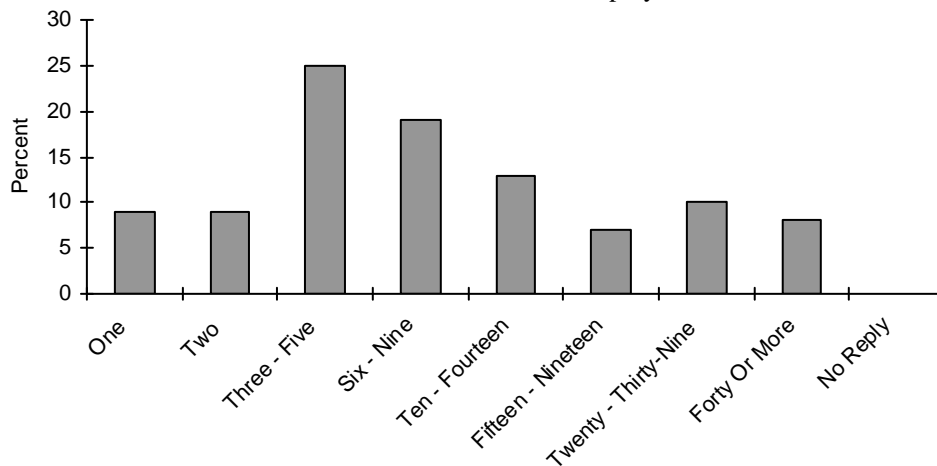
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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>