



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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January 2010

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	-2%	1	*
Plans to Make Capital Outlays	18%	2	*
Plans to Increase Inventories	-8%	-5	*
Expect Economy to Improve	2%	-1	*
Expect Real Sales Higher	-1%	1	*
Current Inventory	-4%	-2	*
Current Job Openings	10%	2	*
Expected Credit Conditions	-15%	0	*
Now a Good Time to Expand	7%	-1	*
Earnings Trends	-43%	0	*
<b>Total Change</b>		<b>-3</b>	<b>*</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.*

## IN THIS ISSUE

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Summary . . . . .	1
Commentary . . . . .	3
Optimism . . . . .	4
Outlook . . . . .	4
Earnings . . . . .	6
Sales . . . . .	7
Prices . . . . .	8
Employment . . . . .	9
Compensation . . . . .	10
Credit Conditions . . . . .	12
Inventories . . . . .	14
Capital Outlays . . . . .	16
Most Important Problem . . . . .	18
Survey Profile . . . . .	19
Economic Survey . . . . .	20

# SUMMARY

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## OPTIMISM INDEX

It has been a very difficult year and 2009 did not end on an uplifting note. The Index of Small Business Optimism lost 0.3 points, falling to 88.0 (1986=100), 7.0 points higher than the survey's second lowest reading reached in March 2009 (the lowest reading was 80.1 in 1980). But optimism has clearly stalled in spite of the improvements in the economy since the first quarter of 2009.

## LABOR MARKETS

The “job generating machine” remains in reverse, jobs are being lost and new hiring is very weak. Ten percent of the owners increased employment, but 22 percent reduced employment (seasonally adjusted). While the trend for increased employment is going in the right direction, there is no indication that job growth will be strong enough to dramatically reduce the unemployment rate. Ten percent (seasonally adjusted) reported unfilled job openings, up two points from November, a good sign. Over the next three months, 15 percent plan to reduce employment (down two points), and eight percent plan to create new jobs (up one point), yielding a seasonally adjusted net negative two percent of owners planning to create new jobs, a one point improvement from November.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months was unchanged at 44 percent of all firms, holding at a record low level (data first collected in 1979). Capital spending is on the sidelines. Spending on capital projects remained at historic low levels, as did the demand for credit to finance such projects. Plans to make capital expenditures over the next few months rose two points to 18 percent, two points above the 35 year record low. Seven percent characterized the current period as a good time to expand facilities, down one point from November and only a net two percent expect business conditions to improve over the next six months, down one point from November.

## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past three months remained negative at negative 25 percent, but this was a six point improvement over the November reading. The net percent of owners expecting real sales gains improved one point to a negative one percent of all owners, still negative, but 30 points better than the March. Small business owners continued to liquidate inventories and weak sales trends gave little reason to order new stocks. A net negative 28 percent of all owners reported gains in inventory stocks, a new monthly record. For all firms, a net negative four percent (a two point deterioration) reported stocks too low, so stocks are still considered a bit “excessive” relative to expected real sales volumes (which are weak).

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This survey was conducted in December 2009. A sample of 3,938 small-business owners/members was drawn. Eight hundred twenty-five (830) usable responses were received – a response rate of 21 percent.



## INFLATION

The weak economy continued to put downward pressure on prices. Ten percent of the owners reported raising average selling prices, but 33 percent reported price reductions. Widespread price cutting contributed to the reports of lower nominal sales. Plans to raise prices fell one point to a net seasonally adjusted three percent of owners, 35 points below the July 2008 reading. On the cost or input side, 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 two percent and only three percent cited the cost of labor, so neither labor costs nor materials costs are pressuring owners.

## PROFITS AND WAGES

Reports of positive profit trends were unchanged at a net negative 43 percentage points. The persistence of this imbalance is bad news for the small business community. Profits are important for the support of capital spending. Of the 12 percent of owners reporting higher earnings, 50 percent cited stronger sales (unchanged) as the cause and eight percent credited lower labor costs. For the 54 percent reporting lower earnings compared to the previous three months, 65 percent cited weaker sales, four percent each blamed rising labor costs, higher materials costs and higher insurance costs, while six percent blamed lower selling prices. Poor real sales and price cuts are responsible for much of the weakness in profits. Owners continued to reduce compensation at a record pace, with 10 percent reporting reduced worker compensation and nine percent reporting gains, unchanged from November.

## CREDIT MARKETS

Regular borrowers (accessing capital markets at least once a quarter) continued to report difficulties in arranging credit at the highest frequency since 1983. A net 15 percent reported loans harder to get than in their last attempt, unchanged from November. Still that is not nearly as severe as the financial distress reported in the pre-1983 period. Twenty-four months of recession have sapped the financial strength of many small firms. Thirty-three (33) percent reported regular borrowing, fairly typical of post-1983 and unchanged from November. Eight percent of all owners reported that their borrowing needs were not satisfied, down two points from November. The remaining 92 percent of all owners either obtained the credit they wanted or were not interested in borrowing. Only 4 percent of the owners reported “finance” as their #1 business problem (down 1 point). Pre-1983, as many as 37 percent cited financing and interest rates as their top problem. The percent of owners reporting higher interest rates on their most recent loan was seven percent, while three percent reported lower rates. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted net negative 15 percent (more owners expect that it will be “harder” to arrange financing),



# COMMENTARY

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For small business owners, 2009 ended with a thud. The Optimism Index fell and finished just seven points ahead of March which was the second lowest reading in 35 years of survey history, even though the economy posted positive growth in the second half of the year.

Interest rates are at historically low levels, inflation virtually non-existent and real hourly earnings have held up well. In the first quarter of 1980, the Index reached 100 and then went on to top 107, the record high reading a few quarters later, a huge surge after a tough recession. But now the Index is 12 points below 100 and has been below 90 for nearly two years.

So why hasn't owner optimism soared like it usually does at the end of a recession, especially one that cut so deeply into our economic fabric? The answer is "hope and change." There is little hope and the change that is being delivered is far from encouraging. Washington is offering nothing but higher taxes and fines and fees and more regulation. Congress is passing bills with thousands of pages of hidden bombs that will go off as the legislation is passed and implemented. Federal spending has soared amazingly, yet been ineffective except at pushing the federal deficit to incomprehensible heights, promising to double our national debt in just a few years. The interest burden this will place on average Americans is astounding. Uncertainty is the enemy of economic growth and investment, and Washington, D.C., the usual source of uncertainty, is delivering plenty of it. Confidence in our political leadership has tanked.

So we begin the year with capital spending and inventory investment plans in record low territory as well as job creation plans. More owners expect sales to fall than to increase in the first quarter, more have been cutting workers and worker compensation than increasing them and reports of actual spending on capital projects are at 35 year historic lows. Interest rates are at historic lows and we have more savings to lend out, but few are willing to borrow and spend the funds.

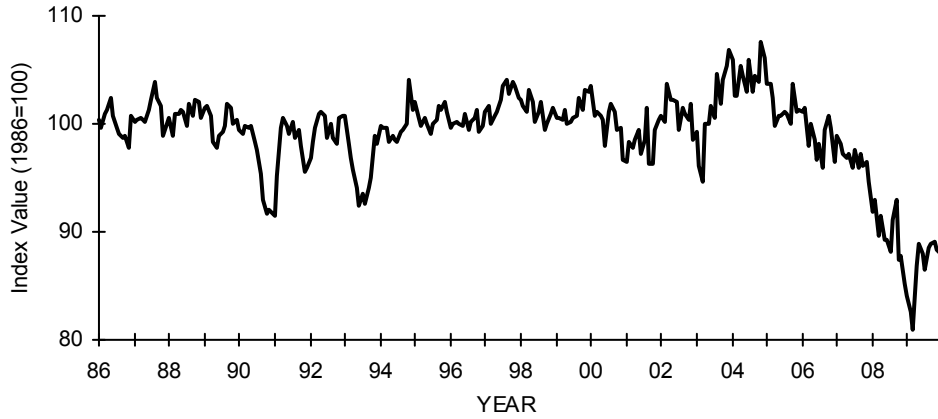
Few view the current period as a good time to expand their businesses. Those cutting average selling prices outnumber those raising them by a 3-to-1 margin. Plenty of opportunity to spend, lots of potential pent up demand but the management team is not able to lead the economy out of its doldrums, instead choosing to erect barriers to future growth.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

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

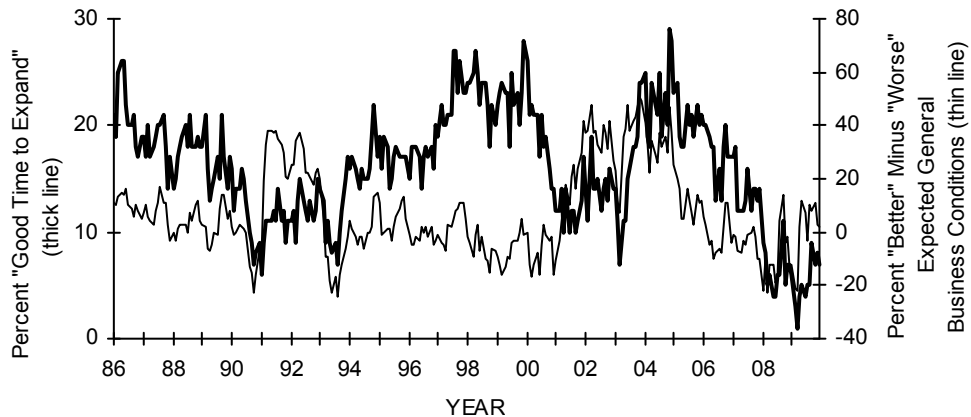
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	105.8	102.6	102.6	105.3	104.5	103.0	105.9	102.9	104.5	103.9	107.7	106.1
<b>2005</b>	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
<b>2008</b>	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
<b>2009</b>	84.1	82.6	81.0	86.8	88.9	87.9	86.5	88.6	88.8	89.1	88.3	88.0



## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to December 2009  
(Seasonally Adjusted)



## SMALL BUSINESS OUTLOOK (CONTINUED)

### OUTLOOK FOR EXPANSION

Percent Next Three Months "Good Time to Expand"  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	25	19	18	24	22	21	25	19	23	20	29	28
<b>2005</b>	23	24	19	18	18	22	20	21	19	22	20	21
<b>2006</b>	20	20	19	18	18	13	16	13	18	20	17	17
<b>2007</b>	17	18	12	12	12	13	16	12	14	14	13	14
<b>2008</b>	9	8	5	6	4	4	6	6	11	5	7	7
<b>2009</b>	6	3	1	4	5	4	5	5	9	7	8	7

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
December 2009

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



### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

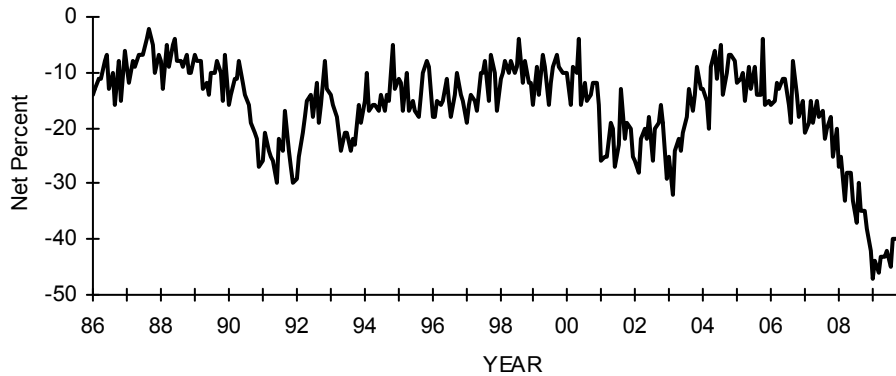
Net Percent ("Better" Minus "Worse") Six Months From Now  
(Seasonally Adjusted)

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

# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to December 2009  
(Seasonally Adjusted)



## ACTUAL EARNINGS CHANGES

Net Percent (“Higher” Minus “Lower”) Last Three Months  
Compared to Prior Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	-13	-15	-20	-9	-6	-11	-5	-14	-10	-7	-7	-8
<b>2005</b>	-12	-11	-10	-15	-9	-13	-9	-14	-14	-4	-16	-15
<b>2006</b>	-16	-15	-12	-13	-11	-11	-16	-19	-8	-14	-18	-15
<b>2007</b>	-21	-19	-15	-19	-15	-18	-17	-22	-20	-18	-25	-20
<b>2008</b>	-27	-25	-33	-28	-28	-33	-37	-30	-35	-35	-38	-42
<b>2009</b>	-47	-44	-46	-43	-43	-42	-45	-40	-40	-40	-43	-43



## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
December 2009

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	35	27	17
<b>Increased Costs*</b>	8	13	13
<b>Cut Selling Prices</b>	3	4	3
<b>Usual Seasonal Change</b>	3	5	5
<b>Other</b>	6	4	1

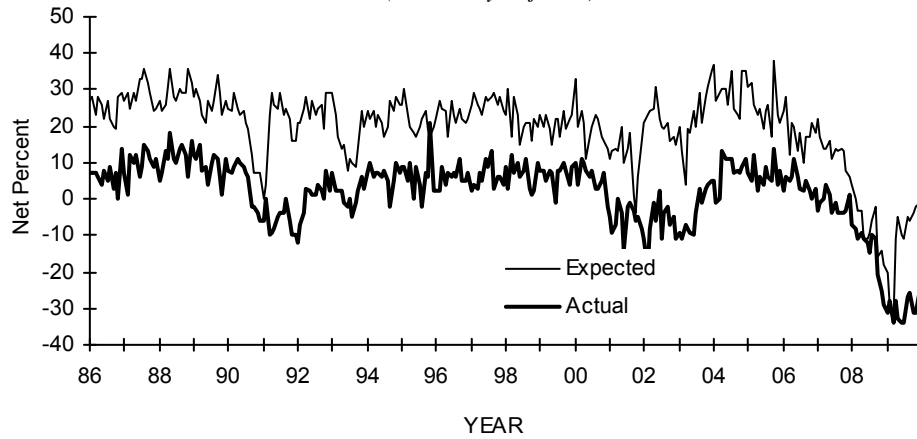
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Next Three Months)  
 January 1986 to December 2009  
 (Seasonally Adjusted)



## ACTUAL SALES CHANGES

Net Percent (“Higher” Minus “Lower”) Last Three Months  
 Compared to Prior Three Months  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	5	-1	0	13	11	11	11	7	8	7	9	11
<b>2005</b>	7	5	12	2	6	4	9	6	5	14	4	8
<b>2006</b>	2	6	5	6	11	6	3	2	5	2	0	3
<b>2007</b>	-3	-1	0	4	1	-4	-1	-4	-4	-4	-3	1
<b>2008</b>	-7	-8	-11	-9	-11	-12	-15	-10	-11	-21	-25	-29
<b>2009</b>	-31	-28	-34	-28	-33	-34	-34	-27	-26	-31	-31	-25



## SALES EXPECTATIONS

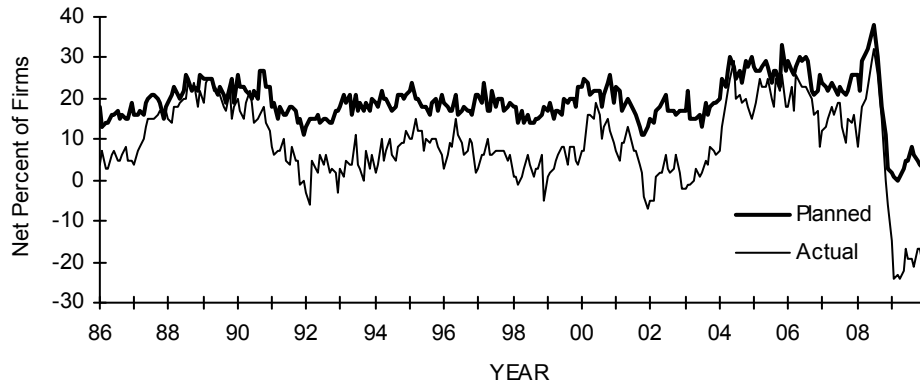
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	37	27	29	30	30	26	35	25	23	22	35	35
<b>2005</b>	31	32	26	23	25	19	24	26	17	38	23	21
<b>2006</b>	24	28	12	21	20	13	18	10	17	17	21	18
<b>2007</b>	22	17	14	14	16	11	14	13	14	13	8	6
<b>2008</b>	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
<b>2009</b>	-20	-29	-31	-11	-5	-10	-11	-5	-6	-4	-2	-1

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to December 2009  
 (Seasonally Adjusted)



## ACTUAL PRICE CHANGES

Net Percent (“Higher” Minus “Lower”)  
 Compared to Three Months Ago  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	7	13	19	22	25	29	20	21	19	20	18	15
<b>2005</b>	17	19	25	23	23	25	20	18	25	22	26	18
<b>2006</b>	18	23	17	26	24	23	23	22	20	16	17	8
<b>2007</b>	12	13	15	18	16	19	19	13	9	15	14	16
<b>2008</b>	8	13	18	20	23	29	32	26	20	15	0	-6
<b>2009</b>	-15	-24	-23	-24	-22	-17	-19	-19	-21	-17	-17	-22



## PRICE PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	20	25	23	27	30	28	25	27	24	29	28	30
<b>2005</b>	28	27	27	28	29	28	24	27	27	23	33	27
<b>2006</b>	29	27	26	28	30	29	30	29	22	21	22	26
<b>2007</b>	24	23	22	24	23	21	23	22	21	22	26	26
<b>2008</b>	26	22	29	31	32	36	38	30	24	18	11	3
<b>2009</b>	2	1	0	1	3	5	5	8	6	5	4	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
<b>2004</b>	0	0	-2	0	3	2	7	5	5	6	7	11
<b>2005</b>	4	3	4	-1	1	4	7	7	0	14	4	1
<b>2006</b>	1	4	-1	-3	-3	-2	2	5	-3	5	0	3
<b>2007</b>	2	4	-6	-5	-2	0	1	4	-1	3	0	2
<b>2008</b>	0	-3	-7	-9	-10	-12	-5	-4	-10	-9	-10	-18
<b>2009</b>	-15	-15	-22	-25	-24	-23	-17	-16	-16	-12	-12	-12

## QUALIFIED APPLICANTS FOR JOB OPENINGS

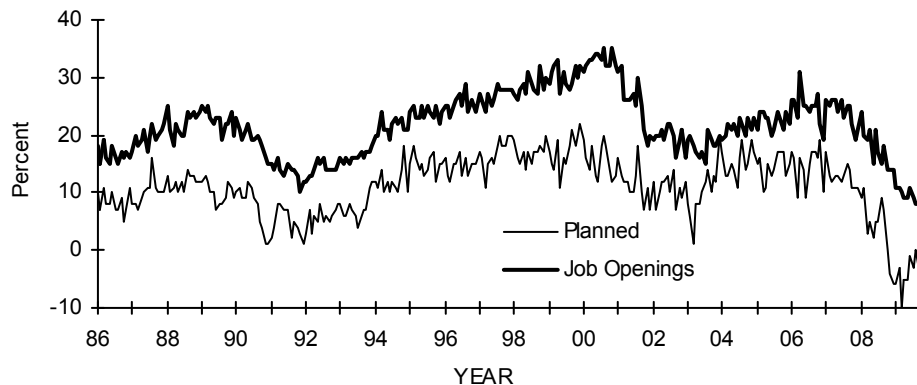
Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	33	37	39	35	40	37	39	42	36	42	39	41
<b>2005</b>	36	38	41	39	41	39	41	41	39	41	46	42
<b>2006</b>	40	40	39	41	46	45	42	46	44	46	44	40
<b>2007</b>	41	41	43	43	42	45	43	44	48	46	40	37
<b>2008</b>	37	36	36	37	33	39	36	35	38	35	31	30
<b>2009</b>	*	*	24	24	25	27	26	23	25	25	28	21



## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to December 2009  
(Seasonally Adjusted)



## SMALL BUSINESS EMPLOYMENT (CONTINUED)

### JOB OPENINGS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	19	20	22	21	22	20	23	22	20	23	21	23
2005	21	24	24	23	23	20	21	24	23	21	24	22
2006	26	26	23	31	25	25	24	25	25	27	22	19
2007	26	25	26	26	24	26	23	25	25	22	19	21
2008	24	20	19	21	15	21	17	15	18	14	14	14
2009	11	11	10	9	9	11	9	8	8	8	8	10

### HIRING PLANS

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

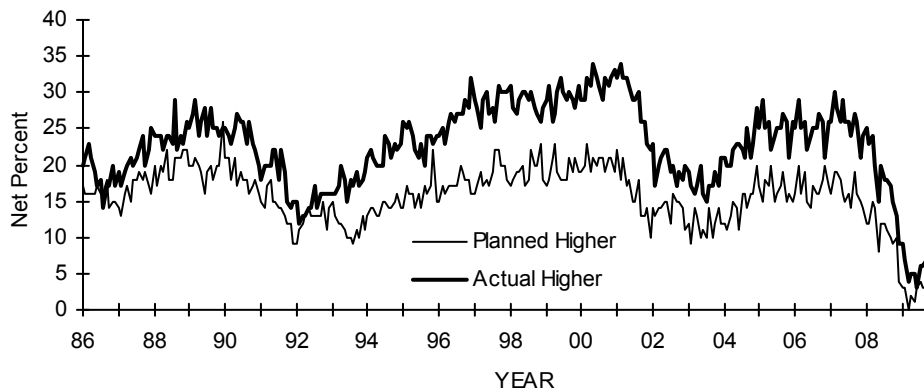
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	17	13	13	15	14	11	16	19	14	15	19	17
2005	15	16	10	11	15	13	14	17	17	17	13	15
2006	17	16	9	16	14	9	15	17	17	16	19	10
2007	17	13	12	13	13	12	13	15	14	11	11	11
2008	9	11	3	5	2	5	5	9	7	0	-4	-6
2009	-6	-3	-10	-5	-5	-1	-3	0	-4	-1	-3	-2



## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to December 2009 (Seasonally Adjusted)



## SMALL BUSINESS COMPENSATION (CONTINUED)

### ACTUAL COMPENSATION CHANGES

Net Percent (“Increase” Minus “Decrease”) During Last Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	21	20	20	22	23	23	22	21	25	21	23	28
2005	25	29	25	26	22	24	25	25	27	26	21	26
2006	25	24	22	27	24	22	24	25	28	23	25	21
2007	26	30	28	26	29	26	27	24	27	26	21	24
2008	25	23	24	20	15	20	18	18	17	15	13	9
2009	9	7	4	5	5	3	6	6	7	4	3	3

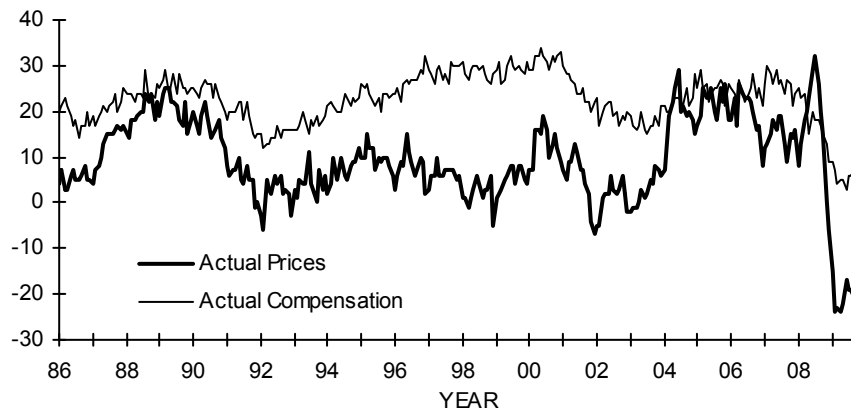
### COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	12	11	13	15	14	11	16	16	14	16	16	20
2005	17	15	18	17	20	15	16	17	19	15	16	15
2006	16	20	16	19	15	14	17	16	16	18	20	17
2007	16	19	19	18	16	15	16	14	19	16	15	14
2008	12	12	15	14	8	12	12	11	10	9	10	4
2009	3	3	0	2	1	3	4	3	3	5	1	1

### PRICES AND LABOR COMPENSATION

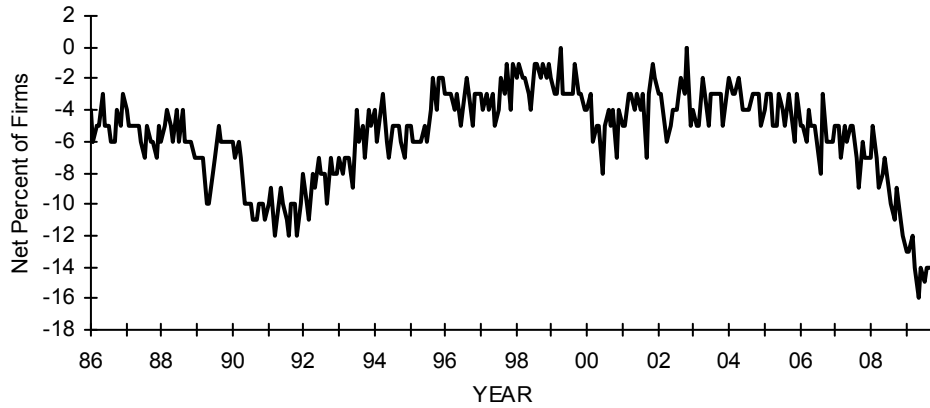
Net Percent Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

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



\* For the population borrowing at least once every three months.

## REGULAR BORROWERS

Percent Borrowing at Least Once Every Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	36	35	40	36	35	33	35	35	33	35	33	38
<b>2005</b>	36	35	37	39	40	39	34	40	36	34	38	34
<b>2006</b>	37	38	36	40	38	41	38	46	35	37	38	35
<b>2007</b>	37	39	35	37	38	35	36	35	36	36	32	34
<b>2008</b>	36	34	33	36	35	35	34	34	32	33	31	33
<b>2009</b>	35	36	33	33	34	30	33	32	33	33	33	33



## AVAILABILITY OF LOANS

Net Percent ("Easier" Minus "Harder")  
Compared to Three Months Ago  
(Regular Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	-2	-3	-3	-2	-3	-4	-4	-4	-3	-3	-3	-5
<b>2005</b>	-4	-3	-3	-5	-5	-3	-4	-5	-3	-4	-6	-3
<b>2006</b>	-5	-5	-6	-4	-5	-5	-6	-8	-3	-6	-6	-6
<b>2007</b>	-5	-5	-7	-5	-6	-5	-5	-7	-9	-6	-7	-7
<b>2008</b>	-7	-5	-7	-9	-8	-7	-9	-10	-11	-9	-11	-12
<b>2009</b>	-13	-13	-12	-14	-16	-14	-15	-14	-14	-14	-15	-15

## SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

### BORROWING NEEDS SATISFIED

Percent of All Businesses Last Three Months Satisfied/  
Percent of All Businesses Last Three Months Not Satisfied  
(All Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	36/6	36/8	38/6	37/6	34/5	34/5	37/5	35/7	36/5	35/5	36/3	39/4
<b>2005</b>	38/4	39/4	39/5	38/6	41/4	39/5	34/5	36/4	34/4	34/5	39/4	35/5
<b>2006</b>	36/4	37/6	36/6	38/5	38/5	39/5	38/4	44/4	34/4	36/7	34/4	36/5
<b>2007</b>	36/5	40/5	35/5	38/4	39/6	36/4	37/5	35/4	37/5	36/6	32/4	32/7
<b>2008</b>	34/5	35/4	32/6	34/5	34/7	35/5	32/7	35/6	33/6	31/6	31/7	32/6
<b>2009</b>	33/8	32/8	29/10	30/8	28/9	30/10	28/10	30/7	30/10	29/9	29/10	28/8

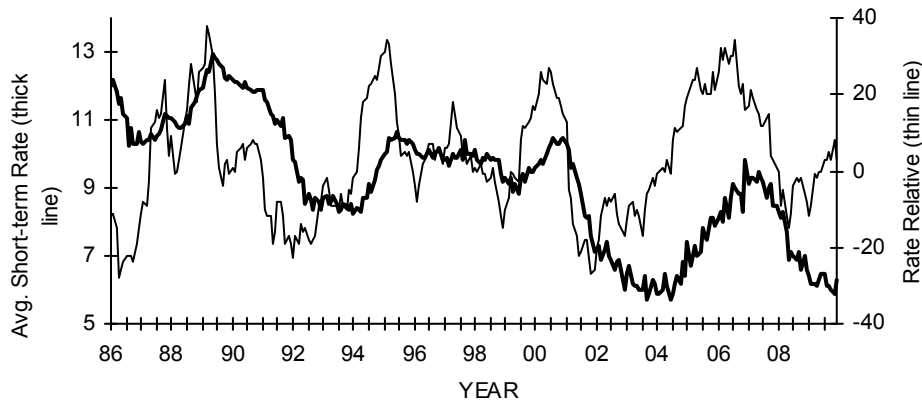
### EXPECTED CREDIT CONDITIONS

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	-15	-13	-14	-13	-15	-16	-15	-15

### INTEREST RATES

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



## SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

### RELATIVE INTEREST RATE PAID BY REGULAR BORROWERS

Net Percent ("Higher" Minus "Lower") Compared to Three Months Ago

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	-1	0	1	0	3	-1	8	11	10	11	12	17
<b>2005</b>	19	22	24	24	27	21	20	23	20	20	26	21
<b>2006</b>	26	32	29	32	28	30	30	34	22	20	23	16
<b>2007</b>	17	21	19	16	15	12	12	14	15	4	3	1
<b>2008</b>	0	-9	-5	-12	-15	-11	-4	-2	-3	-2	-6	-8
<b>2009</b>	-12	-9	-1	-2	0	0	3	3	5	3	8	3

*Borrowing at Least Once Every Three Months.*

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

Average Interest Rate Paid

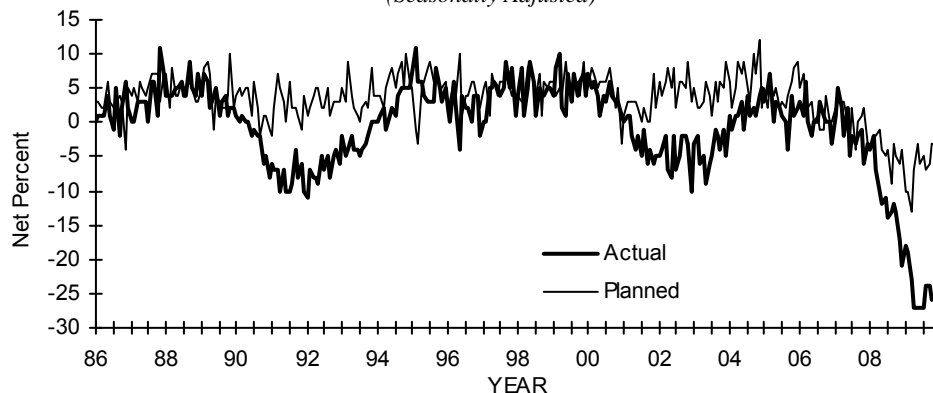
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	5.9	5.9	6.0	6.5	6.1	5.7	5.9	6.2	6.4	6.2	6.8	6.4
<b>2005</b>	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
<b>2009</b>	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to December 2009  
(Seasonally Adjusted)





## SMALL BUSINESS INVENTORIES (CONTINUED)

### ACTUAL INVENTORY CHANGES

Net Percent (“Increase” Minus “Decrease”) During Last Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	1	-1	1	1	3	-1	4	1	2	1	4	5
2005	3	5	7	0	3	2	1	0	-4	4	1	2
2006	3	1	6	0	-2	0	0	3	1	0	0	-3
2007	1	5	2	-2	2	-5	-2	-3	-2	-1	-6	-3
2008	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21
2009	-18	-19	-23	-27	-27	-27	-27	-24	-24	-26	-25	-28

### INVENTORY SATISFACTION

Net Percent (“Too Low” Minus “Too Large”) at Present Time  
(Seasonally Adjusted)

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

### INVENTORY PLANS

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

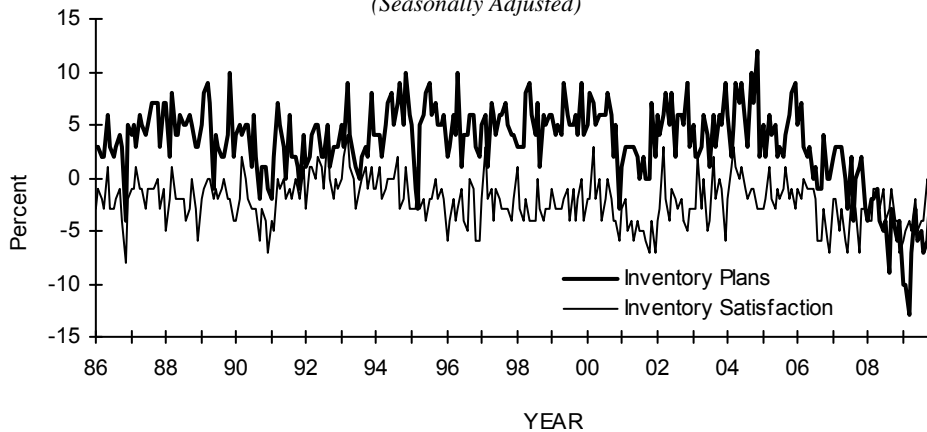
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	6	2	5	9	7	9	5	3	10	7	12	2
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
2009	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8



# SMALL BUSINESS CAPITAL OUTLAYS

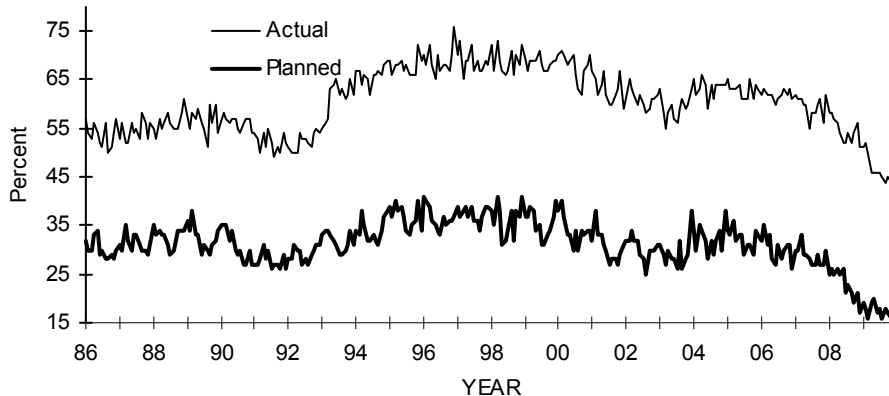
## INVENTORY SATISFACTION AND INVENTORY PLANS

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 2009  
*(Seasonally Adjusted)*



## ACTUAL CAPITAL EXPENDITURES

Percent Making a Capital Expenditure During the Last Six Months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	65	62	63	66	64	59	64	61	64	64	64	64
<b>2005</b>	65	63	63	63	64	61	61	61	65	61	64	63
<b>2006</b>	62	63	62	62	62	60	61	62	63	62	63	61
<b>2007</b>	62	61	61	60	60	55	58	58	60	61	56	62
<b>2008</b>	58	58	57	56	54	52	52	54	52	54	56	51
<b>2009</b>	51	52	50	46	46	46	46	45	44	45	44	44

## 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	15	21	21
Equipment	30	36	47
Furniture or Fixtures	7	9	14
Add. Bldgs. or Land	4	4	8
Improved Bldgs. or Land	11	11	16

### 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	4
\$1,000 to \$4,999	8	8	11
\$5,000 to \$9,999	6	5	8
\$10,000 to \$49,999	14	18	19
\$50,000 to \$99,999	6	6	8
\$100,000 +	6	10	9
No Answer	1	1	3



### CAPITAL EXPENDITURE PLANS

Percent Planning a Capital Expenditure During Next Three to Six Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	34	30	35	34	32	28	32	29	32	34	30	38
2005	34	33	36	32	33	33	29	31	31	29	34	33
2006	32	35	31	33	28	27	31	28	30	31	31	26
2007	30	30	33	29	29	28	27	27	29	27	27	30
2008	25	26	25	26	25	26	21	23	21	19	21	17
2009	19	18	16	19	20	17	18	16	18	17	16	18

# SINGLE MOST IMPORTANT PROBLEM

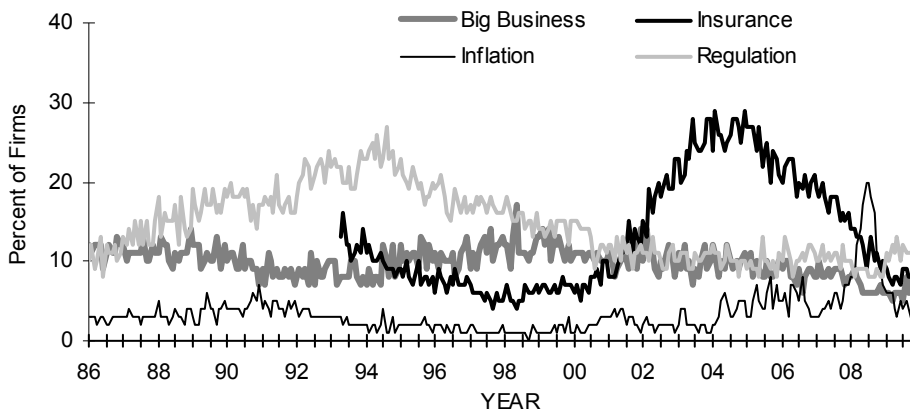
## SINGLE MOST IMPORTANT PROBLEM

December 2009

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	20	20	32	8
<b>Inflation</b>	2	7	41	0
<b>Poor Sales</b>	34	27	34	2
<b>Fin. &amp; Interest Rates</b>	4	3	37	1
<b>Cost of Labor</b>	3	4	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	13	8	27	4
<b>Comp. From Large Bus.</b>	6	6	14	4
<b>Quality of Labor</b>	4	7	24	3
<b>Cost/Avail. of Insurance</b>	7	10	29	4
<b>Other</b>	7	7	31	1

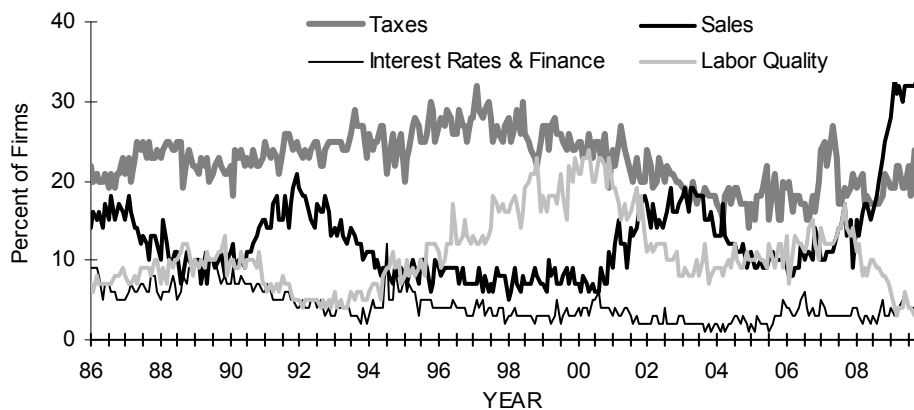
## SELECTED SINGLE MOST IMPORTANT PROBLEM

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



## SELECTED SINGLE MOST IMPORTANT PROBLEM

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



# SURVEY PROFILE

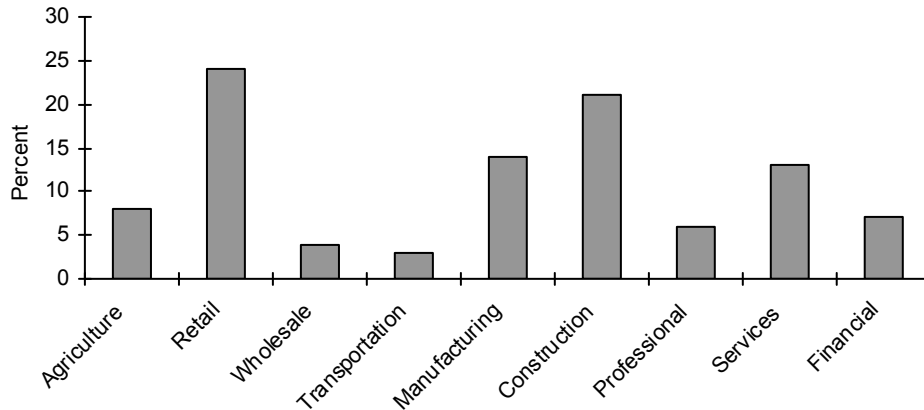
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2004</b>	1245	587	474	1274	487	468	1221	503	480	1221	574	441
<b>2005</b>	1239	495	409	1220	489	427	1116	499	423	1116	532	481
<b>2006</b>	1274	484	471	1094	440	416	1007	480	380	1075	451	446
<b>2007</b>	1755	750	737	1703	618	589	1613	720	674	1614	719	670
<b>2008</b>	1845	700	735	1768	737	703	1827	812	743	1992	826	805
<b>2009</b>	2013	846	867	1794	814	758	1994	882	827	2059	825	830

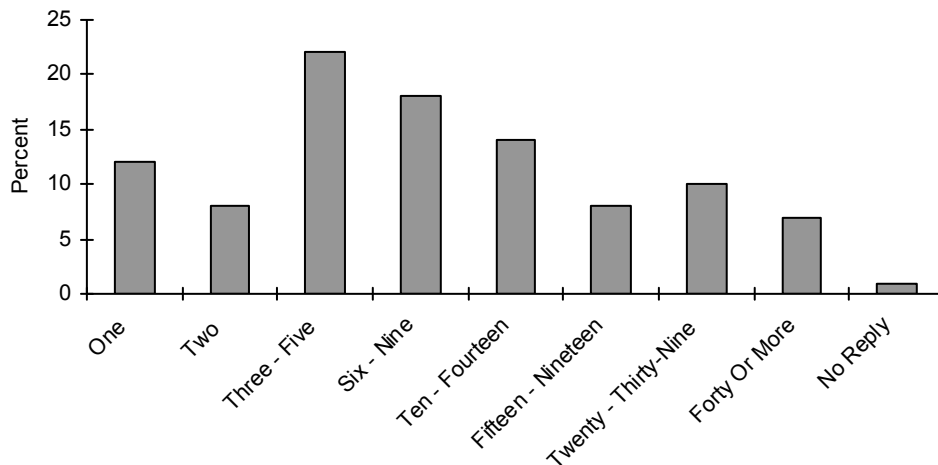
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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>