



# NFIB SMALL BUSINESS ECONOMIC TRENDS

William C. Dunkelberg  
Holly Wade

July 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	1%	0	0%
Plans to Make Capital Outlays	19%	-1	3%
Plans to Increase Inventories	-3%	-5	14%
Expect Economy to Improve	-6%	-14	40%
Expect Real Sales Higher	-5%	-10	29%
Current Inventory	-1%	-1	3%
Current Job Openings	9%	0	0%
Expected Credit Conditions	-13%	-1	3%
Now a Good Time to Expand	6%	1	-3%
Earnings Trend	-32%	-4	11%
Total Change		-35	100%

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 lost 3.2 points in June after posting modest gains for several months. The persistence of Index readings below 90 is unprecedented in survey history. The performance of the economy is mediocre at best, given the extent of the decline over the past two years. The small business sector is not on a positive trajectory and with this half of the private sector “missing in action”, the poor growth performance is no surprise.

## LABOR MARKETS

Nine percent (seasonally adjusted) reported unfilled job openings, unchanged from May and historically very weak. Over the next three months, eight percent plan to reduce employment (up one point), and 10 percent plan to create new jobs (down four points), yielding a seasonally adjusted net one percent of owners planning to create new jobs, unchanged from the May reading and positive for the second time in 20 months. Since the third quarter of 2009, job creation plans have underperformed the recoveries from the other two deep recessions covered by the NFIB survey.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months was unchanged at 46 percent of all firms, two points above the 35 year record low reached most recently in December 2009. The percent of owners planning to make capital expenditures over the next few months fell a point to 19 percent, three points above the 35 year record low. Six percent characterized the current period as a good time to expand facilities, up one point. But a net negative six percent expect business conditions to improve over the next six months, down 14 points from May. Owners do not trust the economic policies in place or proposed and are distressed by global and national developments that make the future more uncertain.

## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past three months lost four points, falling to a net negative 15 percent, 19 points better than June 2009, but still far more firms reporting negative sales trends quarter to quarter than positive. The net percent of owners expecting real sales gains lost 10 points, falling to a net negative five percent of all owners (seasonally adjusted). Small business owners continued to liquidate inventories and weak sales trends gave little reason to order new stock. A net negative 21 percent of all owners reported gains in inventories (seasonally adjusted), one point worse than May. Inventories had been built in the expansion to satisfy the spending of a consumer that was saving virtually nothing. Plans to add to inventories declined five points to net negative three percent of all firms (seasonally adjusted).

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This survey was conducted in June 2010. A sample of 3,938 small-business owners/members was drawn. Eight hundred and four (804) usable responses were received – a response rate of 20 percent.



## INFLATION

The weak economy continued to put downward pressure on prices. Seasonally adjusted, the net percent of owners raising prices was a negative 13 percent, a two point increase in the net percent raising prices. June is the 19th consecutive month in which more owners reported cutting average selling prices than raising them. Widespread price cutting contributes to the high percentage reporting declining sales revenues. Plans to raise prices fell three points to a net seasonally adjusted 11 percent of owners.

## PROFITS AND WAGES

Reports of positive profit trends worsened by three points in June, registering a net negative 32 percentage points (28 points worse than the best expansion reading reached in 2005). The persistence of this imbalance is bad news for the small business community. Profits are important for the support of capital spending and expansion. For those reporting lower earnings compared to the previous three months, 55 percent cited weaker sales, two percent blamed rising labor costs, six percent higher materials costs, two percent higher insurance costs, and nine percent blamed lower selling prices. Two percent blamed taxes and regulatory costs. Owners continued hold the line on compensation, with eight percent reporting reduced worker compensation and 13 percent reporting gains. Seasonally adjusted, a net four percent reported raising worker compensation, only six points better than February's record low reading of net negative two percent. Labor costs are still under control, one of the major factors affecting inflation pressures. In past recovery periods, compensation improved at a much faster pace than we have experienced in this recovery period.

## CREDIT MARKETS

Regular NFIB borrowers (29 percent accessing capital markets at least once a quarter, a survey record low) continued to report some difficulties in arranging credit. A net 13 percent reported loans harder to get than in their last attempt, unchanged from May. Overall, 90 percent of the owners reported all their credit needs met (or they did not want to borrow). Six percent of the owners reported "finance" as their top business problem (up three points). Pre-1983, as many as 37 percent cited financing and interest rates as their top problem. What businesses need are customers, giving them a reason to hire and make capital expenditures and borrow to support those activities. The percent of owners reporting higher interest rates on their most recent loan was six 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 13 percent (more owners expect that it will be "harder" to arrange financing), one point worse than May. The business news reports that credit conditions are about as easy as the Federal Reserve can make them, but this has not produced any improvement in the percent of owners expecting it to become easier to satisfy their financing needs.



# COMMENTARY

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The U.S. economy faces hurricane force headwinds and the government is at the center of the storm, making an economic recovery very difficult. While political leaders trumpet their ideological attempts to remake the economy and save “small business”, more and more ordinary folks are wondering what in the world are they are thinking. Either policymakers have no idea how to help the economy or they are intentionally committing it to unsustainable expenditure growth and deficits so large that there will be no alternative but to raise taxes, a slow suicide for a dynamic economy.

Fear is growing that the “lame duck” session is not so lame and could produce legislation that permanently paralyzes the economy. Cities, states and even sovereign countries are teetering on the brink of bankruptcy while government workers and favored union workers reap benefits and wages far better than their private sector counterparts. With an unemployment rate of nearly 10 percent, the President travels the country touting the health care bill that few like, selling wealth redistribution and the need for more taxes. What should ordinary citizens and small businesses owners expect from all this? A growing and more dynamic economy? Not likely.

In six months, the so-called “Bush Tax Cuts” expire which will trigger one of the largest tax increases in history. The worst financial fiascos including Fannie, Freddie, AIG, GM and others, have not yet been addressed exposing taxpayers to hundreds of billions in losses. Instead, Congress is trying to tax successful businesses. Taxing “success” is a terrible path to growth and real investment. And adding to the misery and pessimism, massive government deficits threaten future capital availability for the private sector.

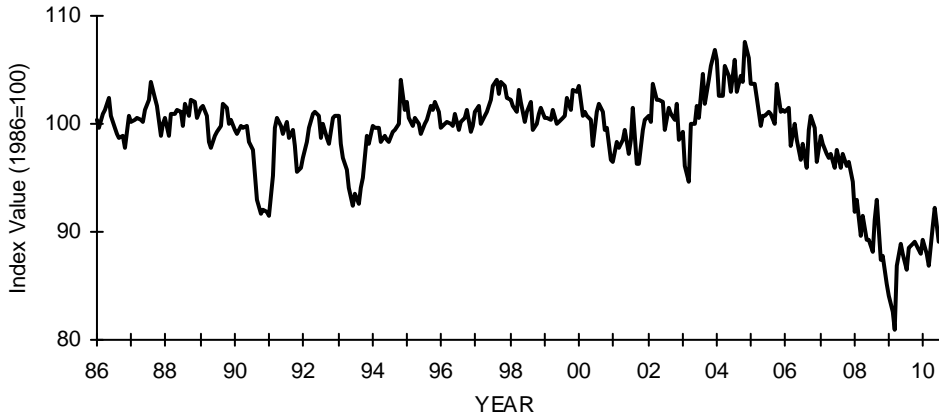
Paul Krugman in his N.Y. Times op-ed July 9 said, “If we want stronger business spending, we need to give businesses a reason to spend. And to do that, the government needs to start doing more, not less, to promote overall economic activity.” Krugman’s view seems to be shared by Washington, looks like he as well as Congress still don’t get it.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

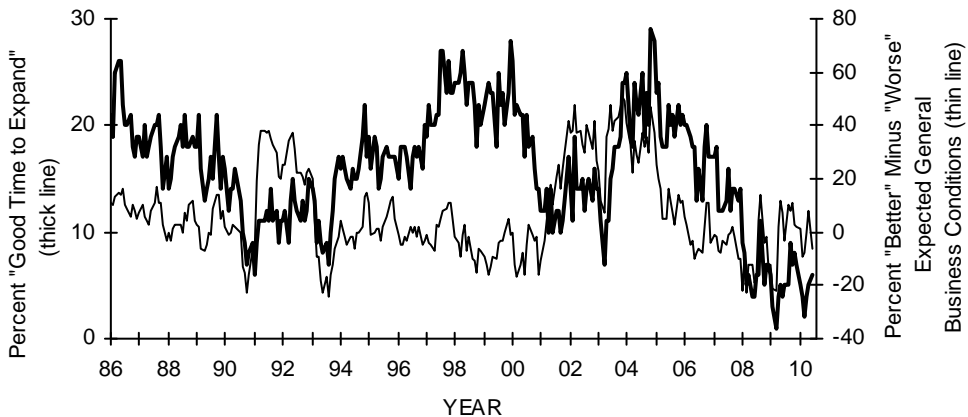
Based on Ten Survey Indicators  
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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
<b>2010</b>	89.3	88.0	86.8	90.6	92.2	89.0						

## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to June 2010  
(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>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
<b>2010</b>	5	4	2	4	5	6						

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
June 2010

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	3	43	14
<b>Sales Prospects</b>	2	6	1
<b>Fin. &amp; Interest Rates</b>	1	1	1
<b>Cost of Expansion</b>	1	3	2
<b>Political Climate</b>	0	12	3
<b>Other/Not Available</b>	1	3	1

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

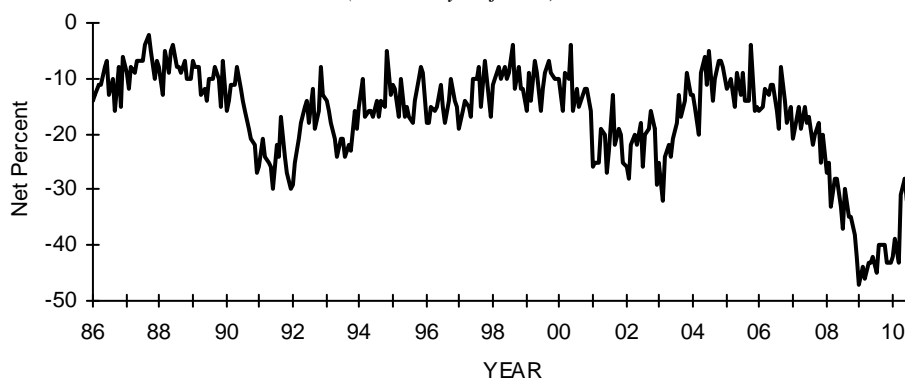
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	25	20	16	5	5	16	12	7	3	14	11	12
<b>2006</b>	6	3	-5	-3	-10	-8	-6	-8	2	11	11	-4
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-10
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9	-8	0	8	-6						



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to June 2010  
(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>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
<b>2010</b>	-42	-39	-43	-31	-28	-32						

## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
June 2010

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	26	34	20
<b>Increased Costs*</b>	9	11	18
<b>Cut Selling Prices</b>	4	4	3
<b>Usual Seasonal Change</b>	2	3	3
<b>Other</b>	6	2	3

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

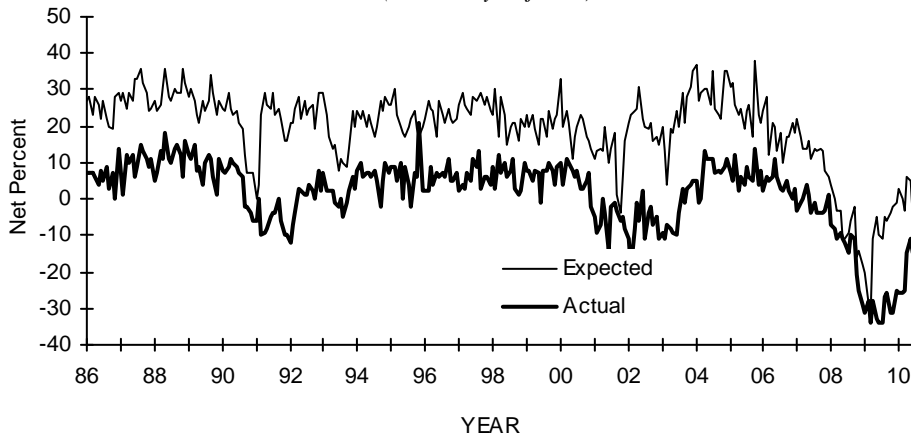




# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Next Three Months)  
 January 1986 to June 2010  
 (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>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
<b>2010</b>	-26	-26	-25	-15	-11	-15						



## SALES EXPECTATIONS

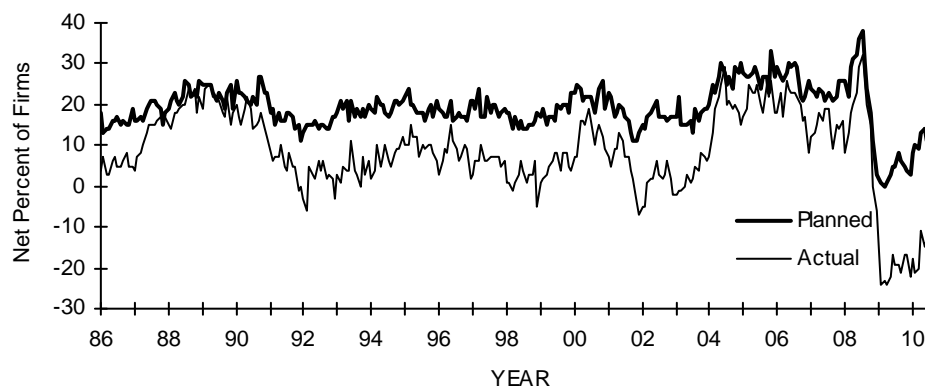
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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
<b>2010</b>	3	0	-3	6	5	-5						

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to June 2010  
 (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>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
<b>2010</b>	-18	-21	-20	-11	-15	-13						

## 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>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
<b>2010</b>	8	10	9	13	14	11						



# 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>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
<b>2010</b>	-10	-9	-11	-12	-12	-10						

## QUALIFIED APPLICANTS FOR JOB OPENINGS

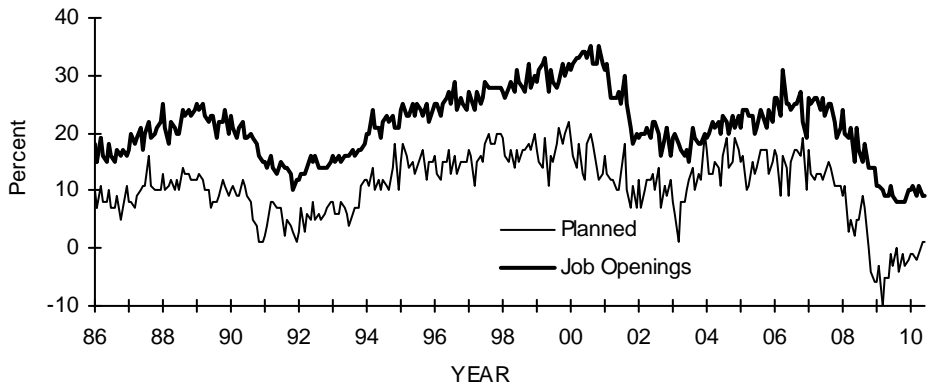
Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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
<b>2010</b>	24	26	23	26	26	25						



## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to June 2010  
(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
<b>2005</b>	21	24	24	23	23	20	21	24	23	21	24	22
<b>2006</b>	26	26	23	31	25	25	24	25	25	27	22	19
<b>2007</b>	26	25	26	26	24	26	23	25	25	22	19	21
<b>2008</b>	24	20	19	21	15	21	17	15	18	14	14	14
<b>2009</b>	11	11	10	9	9	11	9	8	8	8	8	10
<b>2010</b>	10	11	9	11	9	9						

## HIRING PLANS

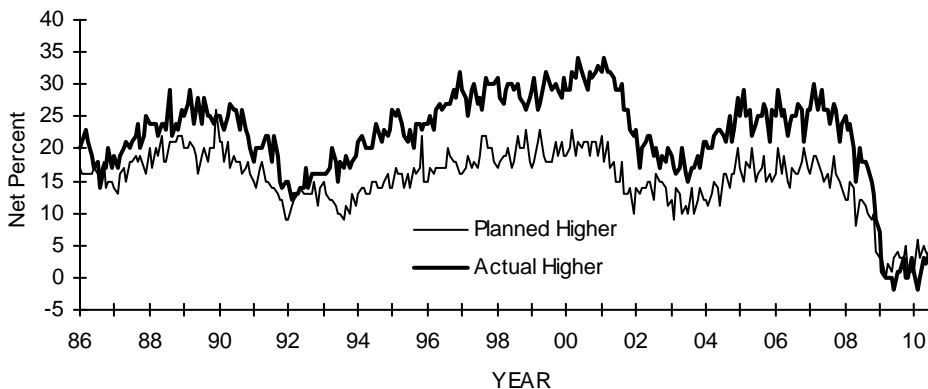
Net Percent ("Increase" Minus "Decrease") in the Next Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	15	16	10	11	15	13	14	17	17	17	13	15
<b>2006</b>	17	16	9	16	14	9	15	17	17	16	19	10
<b>2007</b>	17	13	12	13	13	12	13	15	14	11	11	11
<b>2008</b>	9	11	3	5	2	5	5	9	7	0	-4	-6
<b>2009</b>	-6	-3	-10	-5	-5	-1	-3	0	-4	-1	-3	-2
<b>2010</b>	-1	-1	-2	-1	1	1						

## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to June 2010 (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>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>	7	1	0	0	0	-2	1	1	3	0	0	3
<b>2010</b>	1	-2	0	3	2	4						

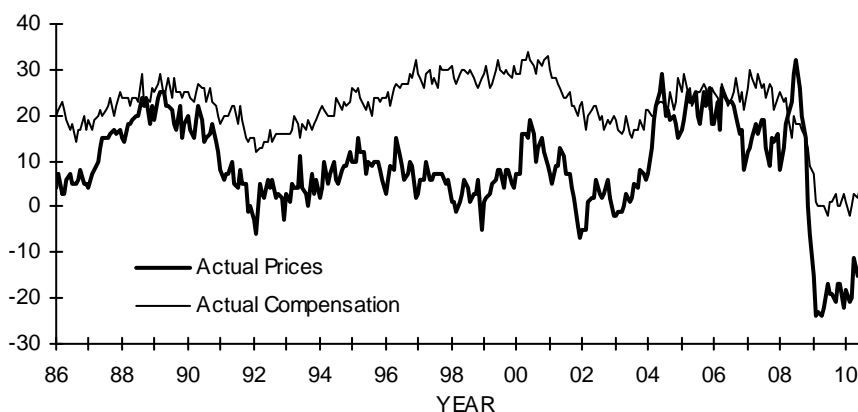
### COMPENSATION PLANS

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>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	1	3	4	3	3	5	1	1
<b>2010</b>	1	6	3	5	4	3						

### PRICES AND LABOR COMPENSATION

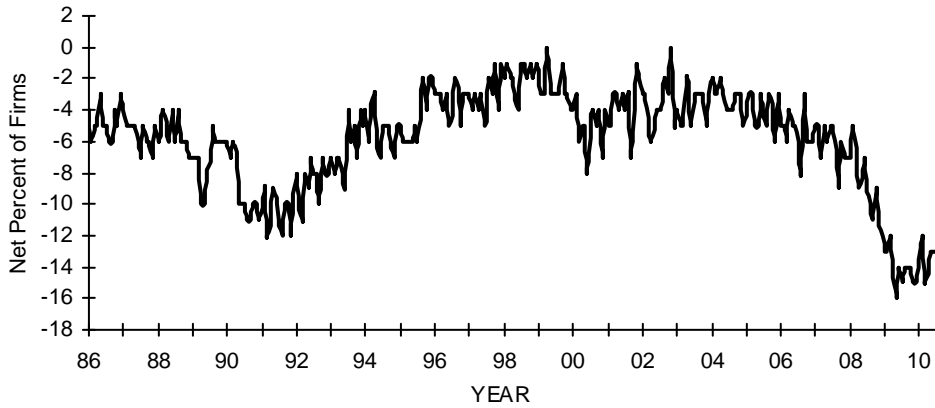
Net Percent Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January 1986 to June 2010



\* 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>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
<b>2010</b>	32	34	35	31	32	29						



## 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>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
<b>2010</b>	-14	-12	-15	-14	-13	-13						

## 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>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
<b>2010</b>	27/11	29/9	29/11	28/9	28/8	25/10						

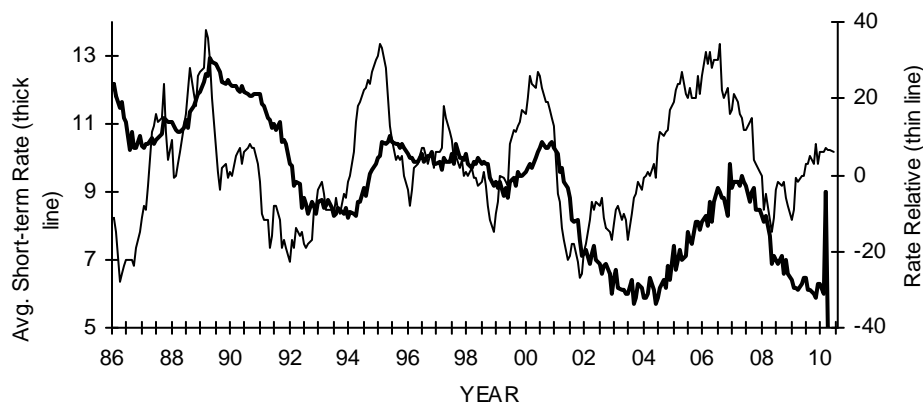
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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
<b>2010</b>	-13	-14	-16	-15	-12	-13						

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January 1986 to June 2010



## 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>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
<b>2010</b>	6	6	9	5	4	0						

*Borrowing at Least Once Every Three Months.*

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

Average Interest Rate Paid

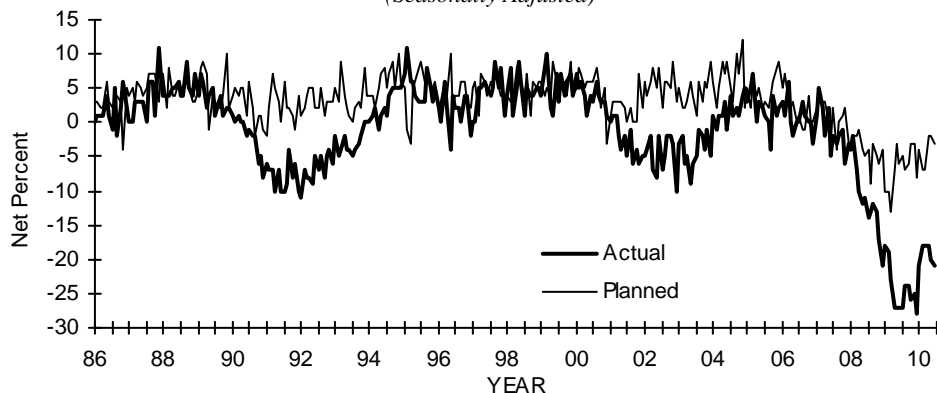
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
<b>2009</b>	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3
<b>2010</b>	6.3	6.0	6.8	6.4	6.5	6.0						



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to June 2010  
(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
<b>2005</b>	3	5	7	0	3	2	1	0	-4	4	1	2
<b>2006</b>	3	1	6	0	-2	0	0	3	1	0	0	-3
<b>2007</b>	1	5	2	-2	2	-5	-2	-3	-2	-1	-6	-3
<b>2008</b>	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21
<b>2009</b>	-18	-19	-23	-27	-27	-27	-27	-24	-24	-26	-25	-28
<b>2010</b>	-21	-18	-18	-18	-20	-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
<b>2005</b>	-3	-2	1	-2	-3	-1	-2	-1	1	-2	-1	-3
<b>2006</b>	-1	-2	0	-1	-1	-1	-2	-6	-6	-3	-6	-7
<b>2007</b>	-2	-2	-5	-3	-6	-7	-2	-2	-3	-7	-3	-3
<b>2008</b>	-4	-4	-1	-1	-3	-1	-4	-3	-1	-4	-4	-7
<b>2009</b>	-6	-5	-4	-5	-2	-5	-4	-4	0	-3	-2	-4
<b>2010</b>	-1	-1	-1	1	0	-1						

### INVENTORY PLANS

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

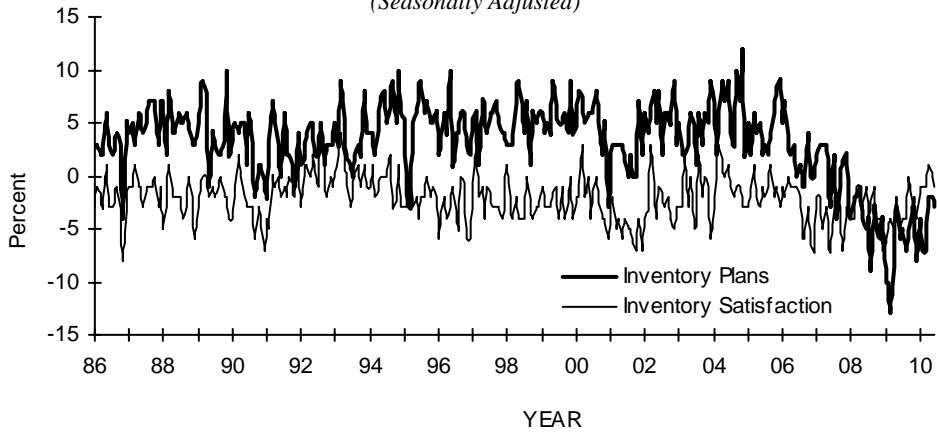
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2005</b>	5	2	6	4	5	2	3	2	4	6	8	9
<b>2006</b>	5	7	3	2	3	0	1	-1	-1	4	0	0
<b>2007</b>	2	3	3	3	0	-3	2	-4	0	1	2	-3
<b>2008</b>	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
<b>2009</b>	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
<b>2010</b>	-4	-7	-7	-2	2	-3						



# SMALL BUSINESS CAPITAL OUTLAYS

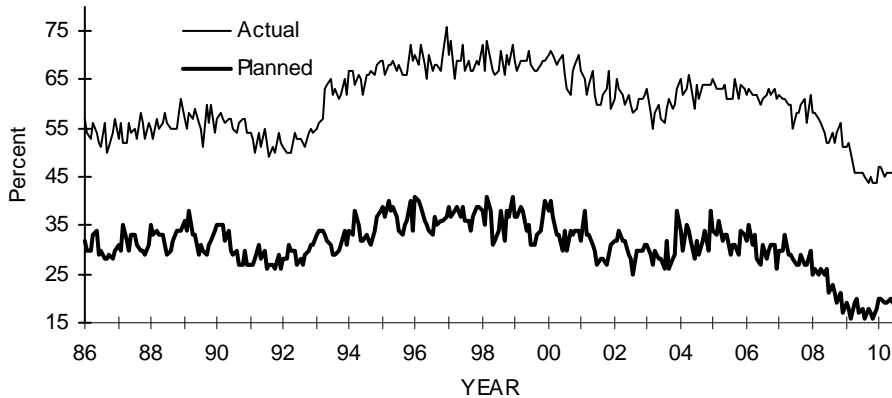
## INVENTORY SATISFACTION AND INVENTORY PLANS

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



## CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months  
 January 1986 to June 2010  
*(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>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
<b>2010</b>	47	47	45	46	46	46						



## 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	16	22
Equipment	30	31	39
Furniture or Fixtures	9	11	12
Add. Bldgs. or Land	4	4	4
Improved Bldgs. or Land	11	13	10

### AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures  
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	4	4	4
\$1,000 to \$4,999	10	9	10
\$5,000 to \$9,999	6	3	4
\$10,000 to \$49,999	14	15	18
\$50,000 to \$99,999	5	7	7
\$100,000 +	6	7	8
No Answer	1	1	1

### 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
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
2010	20	20	19	19	20	19						



# SINGLE MOST IMPORTANT PROBLEM

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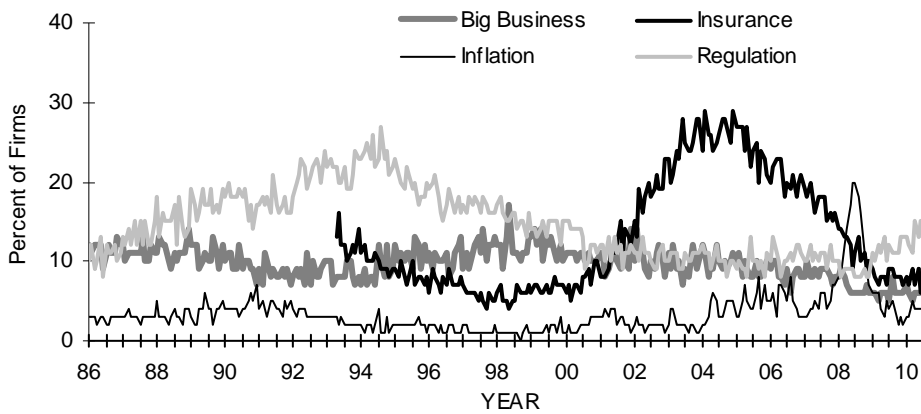
June 2010

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	20	19	32	8
Inflation	4	5	41	0
Poor Sales	30	32	34	2
Fin. & Interest Rates	6	6	37	1
Cost of Labor	3	6	9	2
Govt. Reqs. & Red Tape	15	10	27	4
Comp. From Large Bus.	6	6	14	4
Quality of Labor	4	6	24	3
Cost/Avail. of Insurance	6	7	29	4
Other	6	3	31	1

## SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

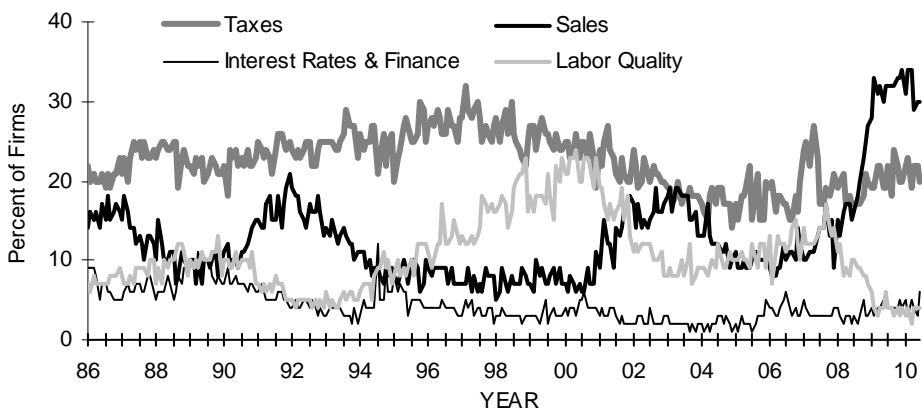
January 1986 to June 2010



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to June 2010



# SURVEY PROFILE

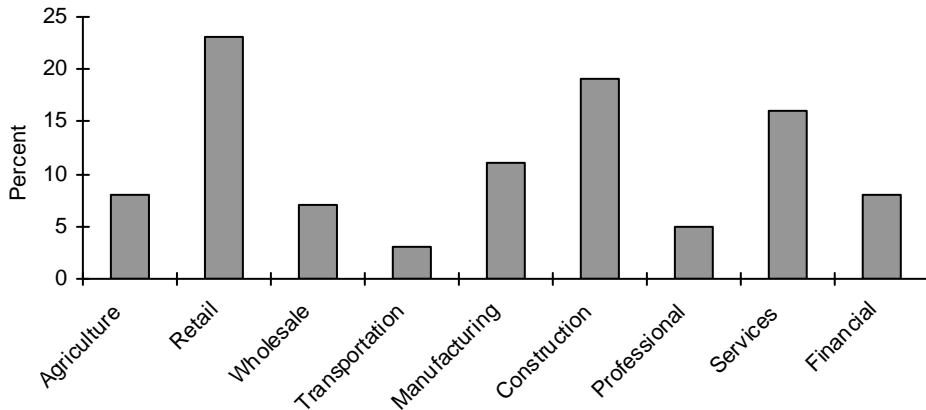
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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
<b>2010</b>	2114	799	948	2176	823	804						

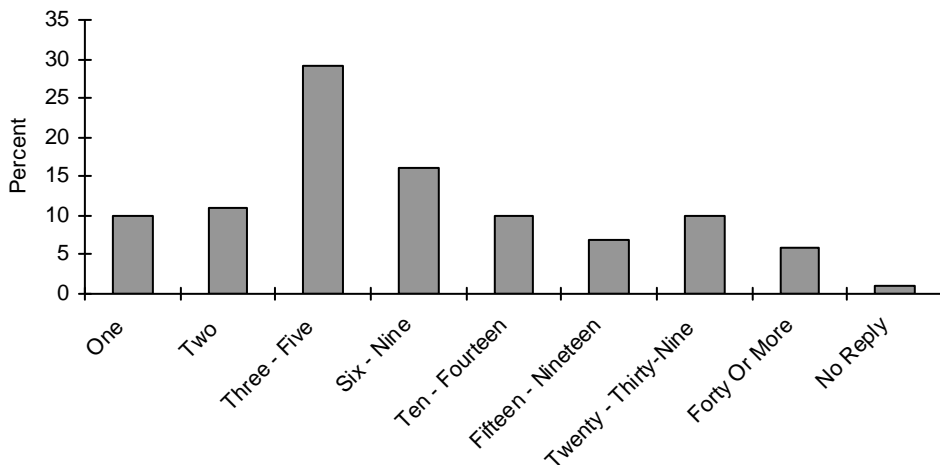
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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
<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>



# NFIB RESEARCH FOUNDATION SMALL BUSINESS ECONOMIC SURVEY

## SMALL BUSINESS SURVEY QUESTIONS

## PAGE IN REPORT

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<b>Do you plan to change average employee compensation during the next three months? . . . . .</b>	<b>11</b>



**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**

