



NFIB SMALL BUSINESS ECONOMIC TRENDS

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November 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%	4	14%
Plans to Make Capital Outlays	18%	-1	-3%
Plans to Increase Inventories	-4%	-1	-3%
Expect Economy to Improve	8%	11	37%
Expect Real Sales Higher	1%	4	14%
Current Inventory	1%	3	10%
Current Job Openings	10%	-1	-3%
Expected Credit Conditions	-12%	2	7%
Now a Good Time to Expand	7%	1	3%
Earnings Trend	-26%	7	24%
Total Change		29	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

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

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

OPTIMISM INDEX

Optimism rose again in October to 91.7, but remains stuck in the recession zone established over the past two years, not a good reading even with a 2.7 point improvement over September. This is still a recession level reading based on Index values since 1973. However, job creation plans did turn positive and job reductions ceased. The mood for inventory investment weakened a bit even though views of inventory adequacy improved, and an improvement in sales trends produced a marked improvement in profit trends, still ugly, but less so by a significant amount.

LABOR MARKETS

Average employment growth per firm was 0 in October, one of the best performances in years. Reaching the “0” change level raises the odds that Main Street may contribute to private sector job growth for the first time in over a year. Ten percent (seasonally adjusted) reported unfilled job openings, down one point and historically very weak. Over the next three months, eight percent plan to increase employment (unchanged), and 13 percent plan to reduce their workforce (down three points), yielding a seasonally adjusted net one percent of owners planning to create new jobs, a four point gain from September.

CAPITAL SPENDING

The frequency of reported capital outlays over the past six months rose two points to 47 percent of all firms, three points above the 35 year record low. Of those making expenditures, 32 percent reported spending on new equipment (up two points), 16 percent acquired vehicles (up one point), and 12 percent improved or expanded facilities (up two points). Three percent acquired new buildings or land for expansion (down one point) and nine percent spent money for new fixtures and furniture (down one point). Not great, but showing some strengthening tendencies. The percent of owners planning capital outlays in the future fell one point to 18 percent because the environment for capital spending is not good.

INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales over the past three months improved four points to a net negative 13 percent, 20 points better than May 2009 (the recession bottom). The net percent of owners expecting higher real sales gained four points from September, rising to a net one 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 16 percent of all owners reported gains in inventories (more firms cut stocks than added to them, seasonally adjusted), two points worse than September.

This survey was conducted in October 2010. A sample of 10,799 small-business owners/members was drawn. One thousand nine hundred ten (1910) usable responses were received – a response rate of 18 percent.



SUMMARY

INFLATION

The downward pressure on prices appears to be easing as more firms are raising prices and fewer are cutting them. Seasonally adjusted, the net percent of owners raising prices was a net negative five percent, a six point increase from September. Plans to raise prices rose five points to a net seasonally adjusted 12 percent of owners. However, most plans to raise prices have been frustrated by the recession and weak sales during the past few years. On the cost side, four percent of owners cited inflation as their number one problem and only three percent cited the cost of labor, so neither labor costs or materials costs are pressuring owners to raise prices. If “pricing power” in making a comeback, owners will begin to see a reversal of rather adverse profit trends.

PROFITS AND WAGES

Reports of positive earnings trends posted a seven point improvement in October, registering a net negative 26 percent. Still, far more owners report that earnings are deteriorating quarter on quarter than rising. Of those reporting lower earnings compared to the previous three months, 60 percent cited weaker sales, three percent blamed rising labor costs, eight percent higher materials costs, three percent higher insurance costs and eight percent blamed lower selling prices. Five percent blamed higher taxes and regulatory costs. Owners continued hold the line on compensation, with seven percent reporting reduced worker compensation and 11 percent reporting gains. Seasonally adjusted, a net four percent reported raising worker compensation, only six points better than February’s record low reading of negative two percent but drifting up. Labor costs are still under control, good news for those worried about inflation but bad news for workers.

CREDIT MARKETS

Overall, 91 percent reported that all their credit needs were met or that they were not interested in borrowing. Nine percent reported credit needs not satisfied, and a record 52 percent said they did not want a loan (13 percent did not answer the question and might be presumed to be uninterested in borrowing as well). Only three percent reported financing as their number one business problem. However, 30 percent of the owners reported weak sales as their top business problem, a major cause of the lack of credit demand observed in financial markets. A near record low 31 percent of all owners reported borrowing on a regular basis. Reported and planned capital spending are at 35 year record low levels, so fewer loans are needed. Those looking for loans predominately are looking for cash flow support, not funds to expand or hire. Expected sales gains are very weak, reducing the likelihood that an investment in new equipment, expansion or new workers will pay back the investment made. The percent of owners reporting higher interest rates on their most recent loan was five percent, while 3 percent reported lower rates. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted negative 12 percent (more owners expect that it will be “harder” to arrange financing), a two point improvement. Rates are low, but most owners are not interested in borrowing.



COMMENTARY

Well, not much has changed. The Index remains at recession levels where it has been for two years. Few owners expect business conditions to improve, few expect real sales to rise, more plan to cut inventories than to order more, and capital spending plans and actual expenditures remain at recession levels. However, there are a few specks of good news. Firms appear to have stopped reducing employment, but few plan to create new jobs. Inventory levels are viewed as balanced, but more owners still continue to reduce stocks than build them and more plan cuts than additions. Interest rates are low, yes, but there is little motivation to borrow even cheap money since there are few uses that promise a return on their investment. Most owners (75 percent) feel it is not a good time to expand their firms (20 percent are uncertain), 1 in 5 of them blame the uncertain political environment as the primary factor explaining their views.

Unhappy shareholders voted for a major change in the management team for USA, Inc. with the hope of seeing a different set of policies implemented to “right” the ship. The old team dealt with the jobs recession by spending their time on legislation for cap and trade, card check, health care reform, union bail outs (GM and Chrysler), a “stimulus” bill that was designed not to stimulate small businesses but instead support union workers, a 10 percent increase in the minimum wage which cost half a million teen jobs, and other policies which ordinary shareholders could not understand as dealing with the immediate problems of the economy. And then there are the frighteningly large deficits and profligate states on the verge of bankruptcy with striking workers that are far better paid than their private sector counterparts.

And if that we're enough, the day after the election, the Federal Reserve embarked on a highly doubtful policy course to expand its balance sheet to near \$3 trillion by buying more Treasury bonds. Just how much spending will be stirred by, say, a quarter point reduction in rates is also unclear, but the presumption by most is “not much”. With historically low rates, who hasn't already refinanced or bought a house that has the interest and ability to do so? The Federal Reserve also seems to have forgotten that thousands of smaller banks that don't have access to “cheap money” have established floors on loans and Federal Reserve action is unlikely to push through them, especially since most market participants expect rates to eventually go higher. With over a trillion dollars of excess reserves now being held for banks at the Federal Reserve, it is hard to see the 2nd round of quantitative easing “QE2” doing much other than adding to those excess reserves. If the current trillion in excess reserves can't be lent out, what's the banking system to do with another half trillion?

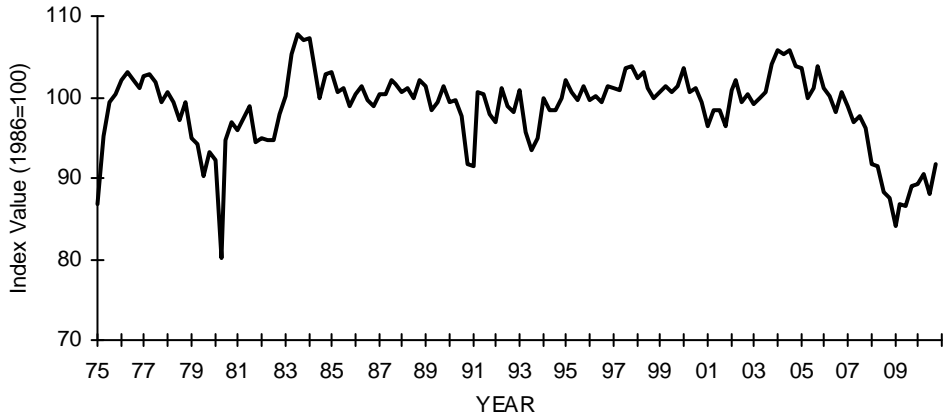
The private sector will continue to slog ahead, after all, the population grew by another million or more and they need food, haircuts, transportation and the like. Indeed, it is new firms started to serve population growth that accounts for a lot of the job growth in America (Japan and Western Europe are missing this source of growth). Although Congress has erected many “headwinds” for growth, the new management team may provide some relief and reduced uncertainty. This would certainly promote more growth.



OVERVIEW - SMALL BUSINESS OPTIMISM

OPTIMISM INDEX

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



OPTIMISM INDEX

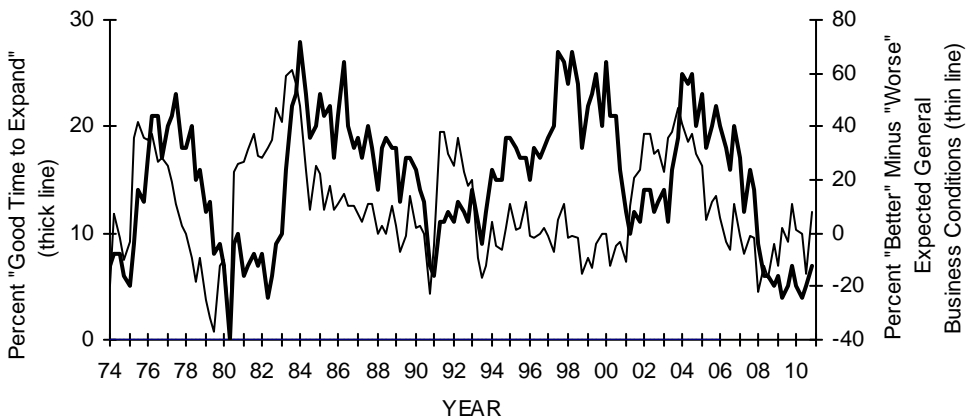
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	103.7	103.7	102.5	99.8	100.8	100.8	101.1	100.9	100.0	103.7	101.2	101.4
2006	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
2007	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
2008	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
2009	84.1	82.6	81.0	86.8	88.9	87.8	86.5	88.6	88.8	89.1	88.3	88.0
2010	89.3	88.0	86.8	90.6	92.2	89.0	88.1	88.8	89.0	91.7		

SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January Quarter 1974 to October Quarter 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
2005	23	24	19	18	18	22	20	21	19	22	20	21
2006	20	20	19	18	18	13	16	13	18	20	17	17
2007	17	18	12	12	12	13	16	12	14	14	13	14
2008	9	8	5	6	4	4	6	6	11	5	7	7
2009	6	3	1	4	5	4	5	5	9	7	8	7
2010	5	4	2	4	5	6	5	4	6	7		

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
October 2010

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	1	52	11
Sales Prospects	1	6	1
Fin. & Interest Rates	1	1	1
Cost of Expansion	0	2	1
Political Climate	0	11	5
Other/Not Available	2	2	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
2005	25	20	16	5	5	16	12	7	3	14	11	37
2006	6	3	-5	-3	-10	-8	-6	-8	2	11	11	12
2007	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-4
2008	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
2009	-12	-21	-22	2	12	7	-3	10	8	11	3	2
2010	1	-9	-8	0	8	-6	-15	-8	-3	8		



SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January Quarter 1974 to October Quarter 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
2005	-12	-11	-10	-15	-9	-13	-9	-14	-14	-4	-16	-15
2006	-16	-15	-12	-13	-11	11	-16	-19	-8	-14	-18	-15
2007	-21	-19	-15	-19	-15	-18	-17	-22	-20	-18	-25	-20
2008	-27	-25	-33	-28	-28	-33	-37	-30	-35	-35	-38	-42
2009	-47	-44	-46	-43	-43	-42	-45	-40	-40	-40	-43	-43
2010	-42	-39	-43	-31	-28	-32	-33	-30	-33	-26		

MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
October 2010

Reason	Current Month	One Year Ago	Two Years Ago
Sales Volume	24	32	24
Increased Costs*	7	7	14
Cut Selling Prices	3	4	4
Usual Seasonal Change	3	4	4
Other	3	5	2

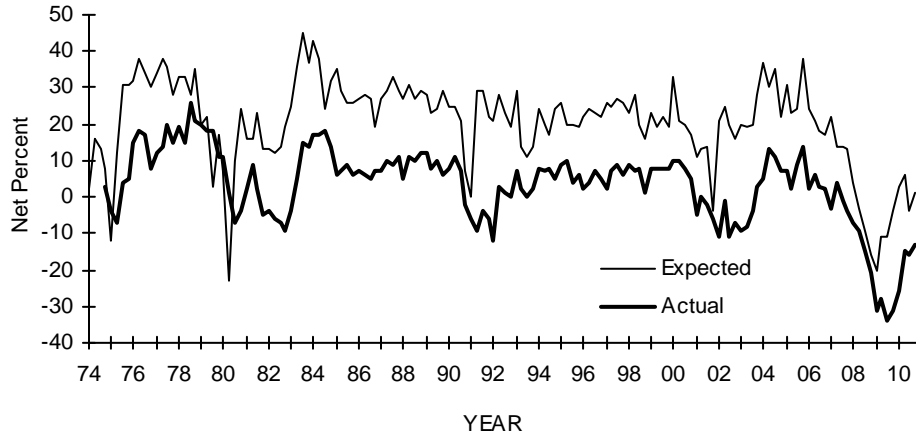
* Increased costs include labor, materials, finance, taxes, and regulatory costs.



SMALL BUSINESS SALES

SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)
January 1974 to October 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
2005	7	5	12	2	6	4	9	6	5	14	4	8
2006	2	6	5	6	11	6	3	2	5	2	0	3
2007	-3	-1	0	4	1	-4	-1	-4	-4	-4	-3	1
2008	-7	-8	-11	-9	-11	-12	-15	-10	-11	-21	-25	-29
2009	-31	-28	-34	-28	-33	-34	-34	-27	-26	-31	-31	-25
2010	-26	-26	-25	-15	-11	-15	-16	-16	-17	-13		

SALES EXPECTATIONS

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

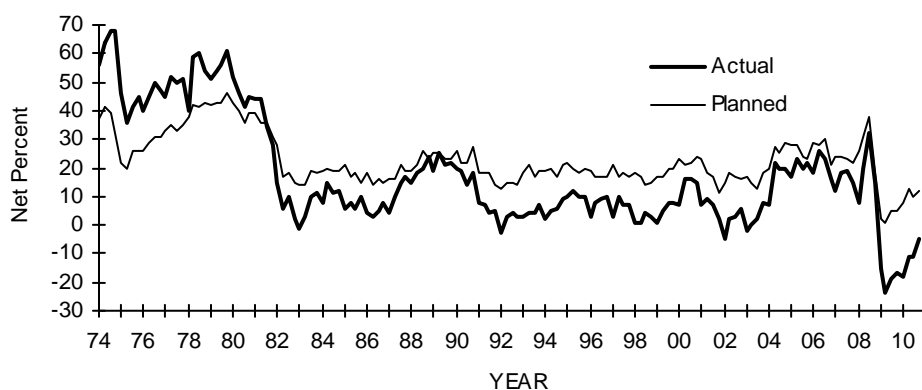
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	31	32	26	23	25	19	24	26	17	38	23	21
2006	24	28	12	21	20	13	18	10	17	17	21	18
2007	22	17	14	14	16	11	14	13	14	13	8	6
2008	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
2009	-20	-29	-31	-11	-5	-10	-11	-5	-6	-4	-2	-1
2010	3	0	-3	6	5	-5	-4	0	-3	1		



SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January Quarter 1974 to October Quarter 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
2005	17	19	25	23	23	25	20	18	25	22	26	18
2006	18	23	17	26	24	23	23	22	20	16	17	8
2007	12	13	15	18	16	19	19	13	9	15	14	16
2008	8	13	18	20	23	29	32	26	20	15	0	-6
2009	-15	-24	-23	-24	-22	-17	-19	-19	-21	-17	-17	-22
2010	-18	-21	-20	-11	-15	-13	-11	-8	-11	-5		

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
2005	28	27	27	28	29	28	24	27	27	23	33	27
2006	29	27	26	28	30	29	30	29	22	21	22	26
2007	24	23	22	24	23	21	23	22	21	22	26	26
2008	26	22	29	31	32	36	38	30	24	18	11	3
2009	2	1	0	1	3	5	5	8	6	5	4	3
2010	8	10	9	13	14	11	10	10	7	12		



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
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	-24	-23	-17	-16	-16	-12	-12	-12
2010	-10	-9	-11	-12	-12	-10	-5	-2	-3	-6		

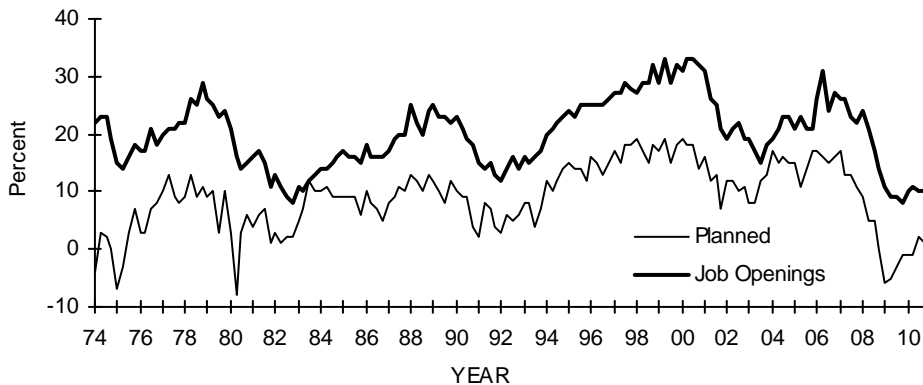
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	25	27	26	23	25	25	28	21
2010	24	26	23	26	26	25	28	32	30	28		

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January Quarter 1974 to October Quarter 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
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
2010	10	11	9	11	9	9	10	11	11	10		

HIRING PLANS

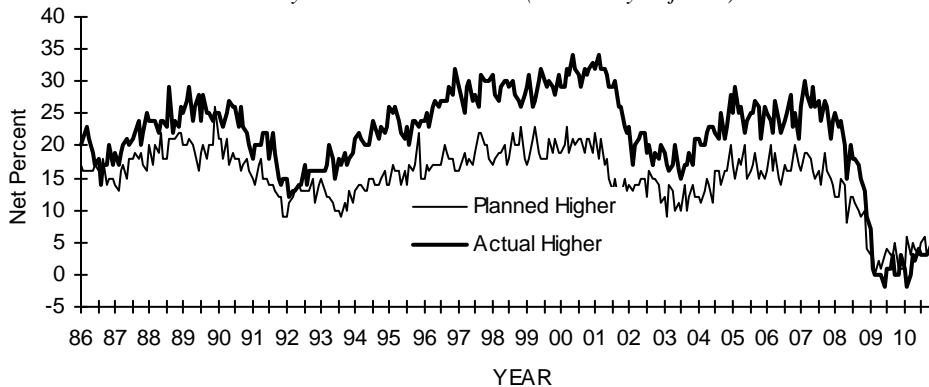
Net Percent (“Increase” Minus “Decrease”) in the Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2010	-1	-1	-2	-1	1	1	2	1	-3	1		

SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to October 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
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	7	1	0	0	0	-2	1	1	3	0	0	3
2010	1	-2	0	3	2	4	3	3	3	4		

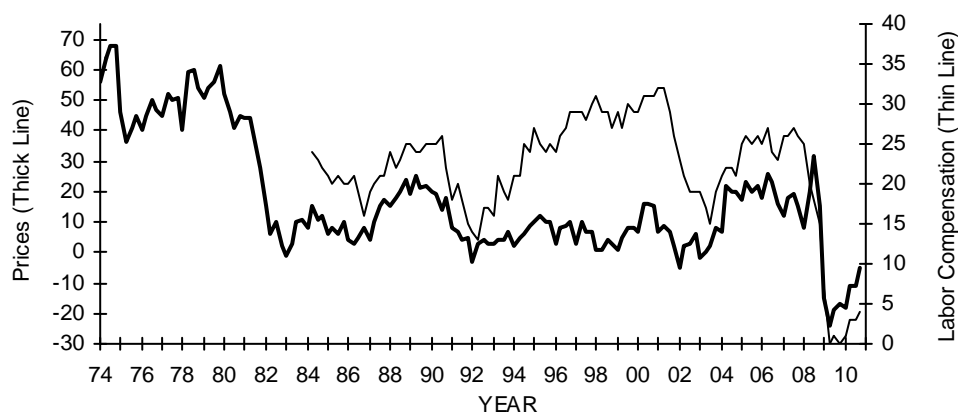
COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2010	1	6	3	5	4	3	5	6	3	5		

PRICES AND LABOR COMPENSATION

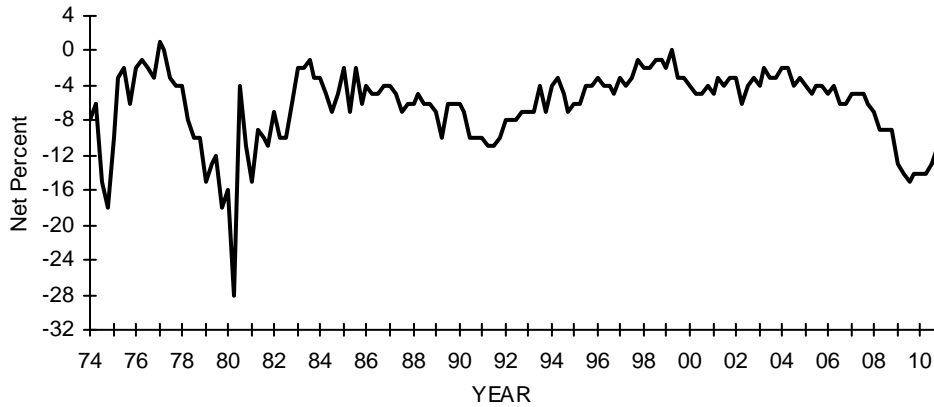
Net Percent Price Increase and Net Percent Compensation Increase
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January Quarter 1974 to October Quarter 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
2005	36	35	37	39	40	39	34	40	36	34	38	34
2006	37	38	36	40	38	41	38	46	35	37	38	35
2007	37	39	35	37	38	35	36	35	36	36	32	34
2008	36	34	33	36	35	35	34	34	32	33	31	33
2009	35	36	33	33	34	30	33	32	33	33	33	33
2010	32	34	35	31	32	29	32	31	33	31		



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
2005	-4	-3	-3	-5	-5	-3	-4	-5	-3	-4	-6	-3
2006	-5	-5	-6	-4	-5	-5	-6	-8	-3	-6	-6	-6
2007	-5	-5	-7	-5	-6	-5	-5	-7	-9	-6	-7	-7
2008	-7	-5	-7	-9	-8	-7	-9	-10	-11	-9	-11	-12
2009	-13	-13	-12	-14	-16	-14	-15	-14	-14	-14	-15	-15
2010	-14	-12	-15	-14	-13	-13	-13	-12	-14	-11		

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
2005	38/4	39/4	39/5	38/6	41/4	39/5	34/5	36/4	34/4	34/5	39/4	35/5
2006	36/4	37/6	36/6	38/5	38/5	39/5	38/4	44/4	34/4	36/7	34/4	36/5
2007	36/5	40/5	35/5	38/4	39/6	36/4	37/5	35/4	37/5	36/6	32/4	32/7
2008	34/5	35/4	32/6	34/5	34/7	35/5	32/7	35/6	33/6	31/6	31/7	32/6
2009	33/8	32/8	29/10	30/8	28/9	30/10	28/10	30/7	30/10	29/9	29/10	28/8
2010	27/11	29/9	29/11	28/9	28/8	25/10	27/9	27/9	27/9	26/9		

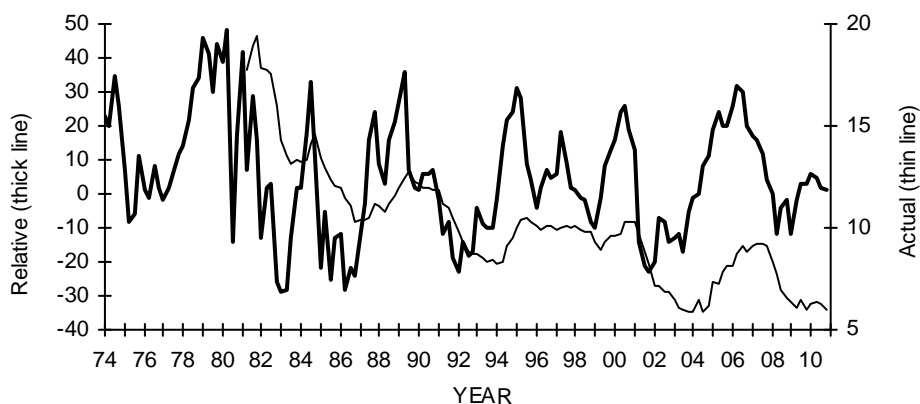
EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	-4	-3	-6	-6	-8	-7	-5	-8	-6	-5	-8	-5
2006	-6	-7	-7	-8	-8	-8	-7	-9	-5	-6	-5	-7
2007	-7	-8	-8	-7	-6	-6	-6	-9	-10	-8	-8	-10
2008	-9	-8	-9	-11	-10	-10	-12	-11	-13	-16	-13	-15
2009	-14	-16	-14	-12	-15	-13	-14	-13	-15	-16	-15	-15
2010	-13	-14	-16	-15	-12	-13	-14	-14	-14	-12		

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January Quarter 1974 to October Quarter 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
2005	19	22	24	24	27	21	20	23	20	20	26	21
2006	26	32	29	32	28	30	30	34	22	20	23	16
2007	17	21	19	16	15	12	12	14	15	4	3	1
2008	0	-9	-5	-12	-15	-11	-4	-2	-3	-2	-6	-8
2009	-12	-9	-1	-2	0	0	3	3	5	3	8	3
2010	6	6	9	5	4	0	2	3	1	1		

*Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

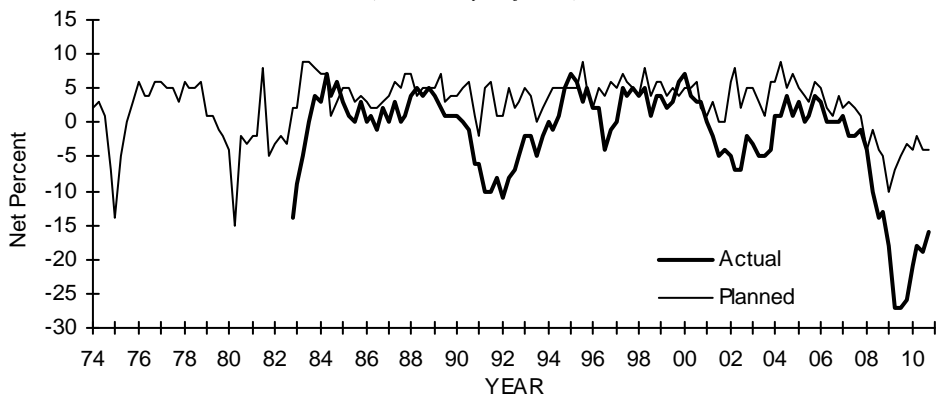
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	7.4	6.7	7.0	7.3	7.0	7.1	7.8	7.6	7.5	8.1	8.1	7.9
2006	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
2007	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
2008	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
2009	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1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



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January Quarter 1974 to October Quarter 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
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
2010	-21	-18	-18	-18	-20	-21	-19	-15	-14	-16		

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
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
2010	-1	-1	-1	1	0	-1	0	-1	-2	1		

INVENTORY PLANS

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

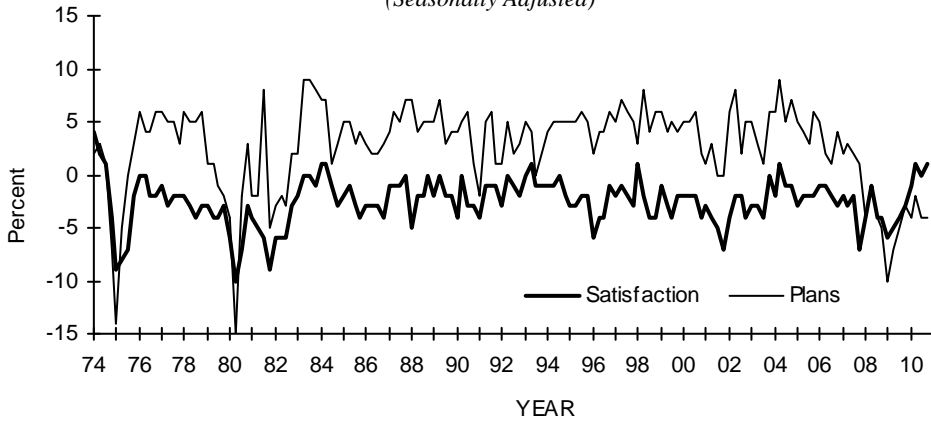
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	5	2	6	4	5	2	3	2	4	6	8	9
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
2009	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
2010	-4	-7	-7	-2	2	-3	-4	-7	-3	-4		



SMALL BUSINESS CAPITAL OUTLAYS

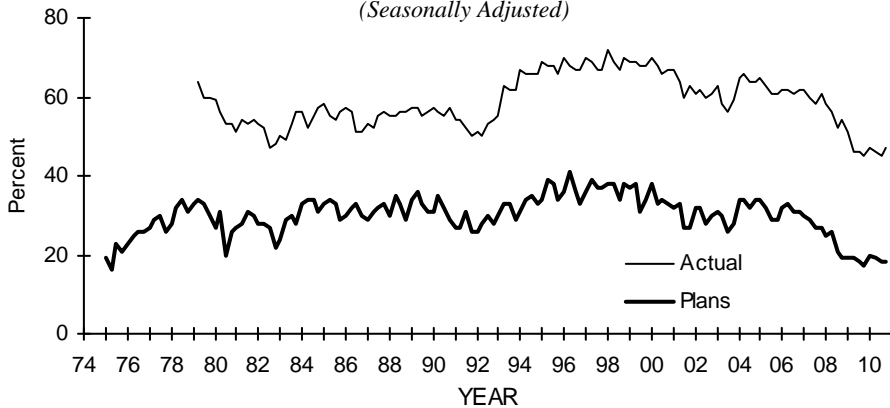
INVENTORY SATISFACTION AND INVENTORY PLANS

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



CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months
 January Quarter 1974 to October Quarter 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
2005	65	63	63	63	64	61	61	61	65	61	64	63
2006	62	63	62	62	62	60	61	62	63	62	63	61
2007	62	61	61	60	60	55	58	58	60	61	56	62
2008	58	58	57	56	54	52	52	54	52	54	56	51
2009	51	52	50	46	46	46	46	45	44	45	44	44
2010	47	47	45	46	46	46	45	44	45	47		



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	17	20
Equipment	32	31	36
Furniture or Fixtures	9	9	12
Add. Bldgs. or Land	3	3	5
Improved Bldgs. or Land	12	11	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	4	3	5
\$1,000 to \$4,999	9	9	9
\$5,000 to \$9,999	6	5	5
\$10,000 to \$49,999	15	16	18
\$50,000 to \$99,999	6	5	7
\$100,000 +	7	7	9
No Answer	0	0	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	18	16	19	18		



SINGLE MOST IMPORTANT PROBLEM

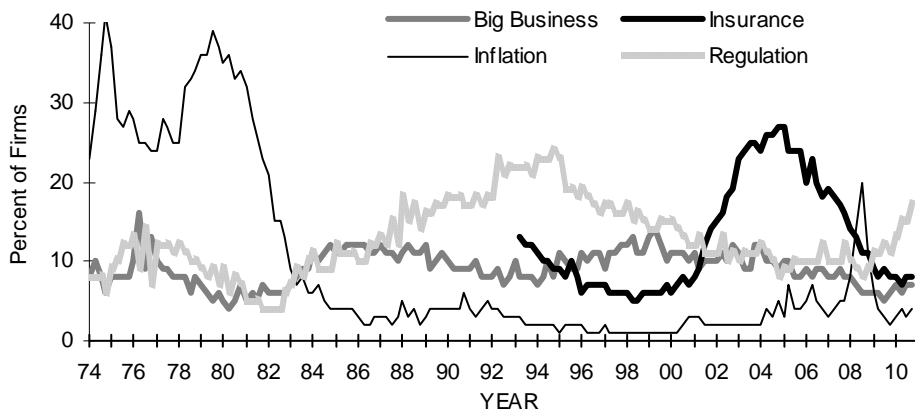
SINGLE MOST IMPORTANT PROBLEM

October 2010

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	20	22	32	8
Inflation	4	2	41	0
Poor Sales	30	33	33	2
Fin. & Interest Rates	3	4	37	2
Cost of Labor	3	4	9	2
Govt. Reqs. & Red Tape	17	11	27	4
Comp. From Large Bus.	7	6	14	4
Quality of Labor	3	4	23	3
Cost/Avail. of Insurance	8	8	29	4
Other	5	6	31	2

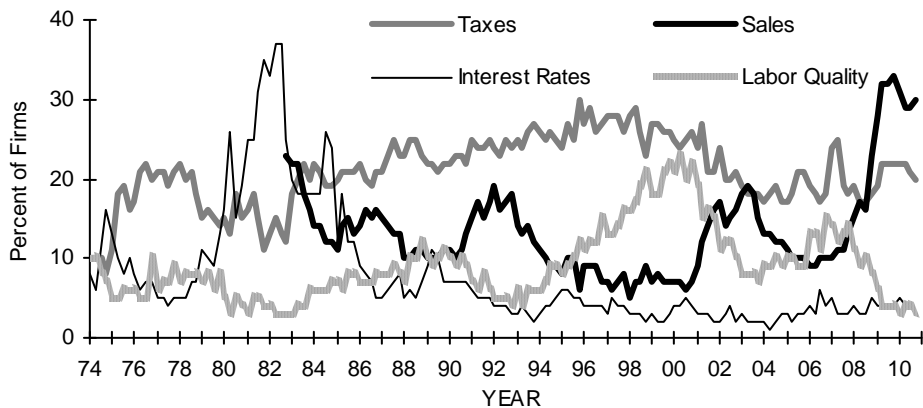
SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation
January Quarter 1974 to October Quarter 2010



SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes
January Quarter 1974 to October Quarter 2010



SURVEY PROFILE

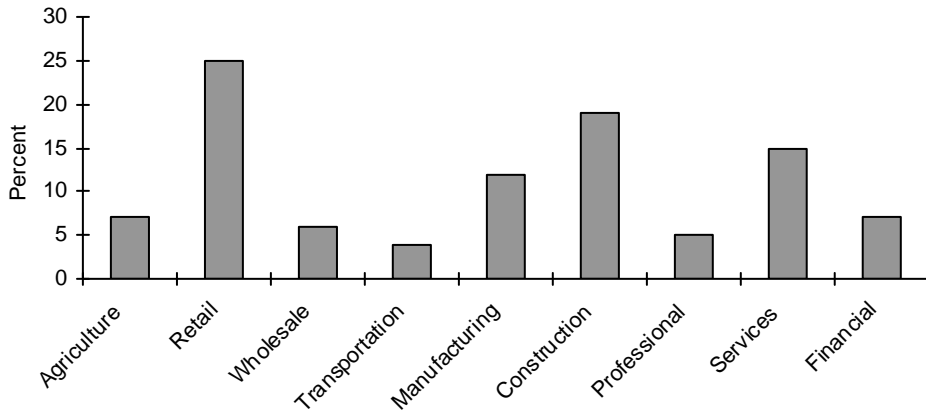
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	1239	495	409	1220	489	427	1116	499	423	1116	532	481
2006	1274	484	471	1094	440	416	1007	480	380	1075	451	446
2007	1755	750	737	1703	618	589	1613	720	674	1614	719	670
2008	1845	700	735	1768	737	703	1827	812	743	1992	826	805
2009	2013	846	867	1794	814	758	1994	882	827	2059	825	830
2010	2114	799	948	2176	823	804	2029	874	849	1910		

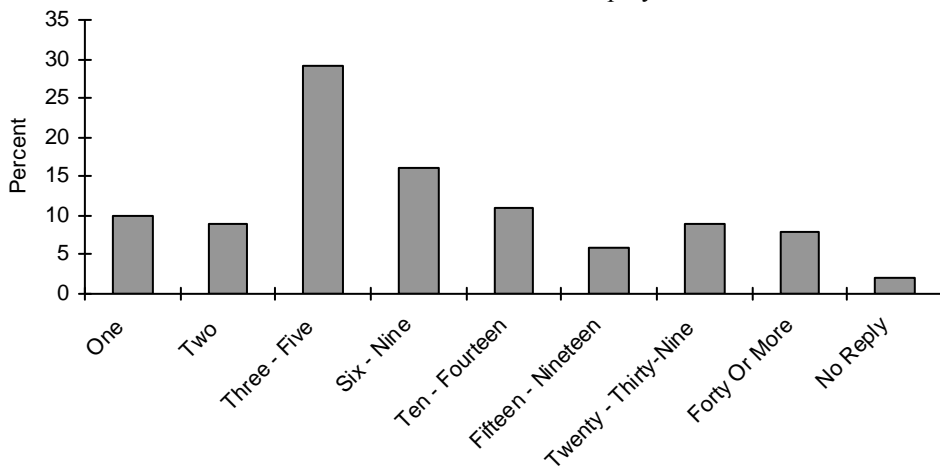
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Industry of Small Business



NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Number of Full and Part-Time Employees



NFIB RESEARCH FOUNDATION SMALL BUSINESS ECONOMIC SURVEY

SMALL BUSINESS SURVEY QUESTIONS

PAGE IN REPORT

Do you think the next three months will be a good time for small business to expand substantially? Why?	4
About the economy in general, do you think that six months from now general business conditions will be better than they are now, about the same, or worse?	5
Were your net earnings or “income” (after taxes) from your business during the last calendar quarter higher, lower, or about the same as they were for the quarter before?	6
If higher or lower, what is the most important reason?	6
During the last calendar quarter, was your dollar sales volume higher, lower, or about the same as it was for the quarter before?	7
Overall, what do you expect to happen to real volume (number of units) of goods and/or services that you will sell during the next three months?	7
How are your average selling prices compared to three months ago?	8
In the next three months, do you plan to change the average selling prices of your goods and/or services?	8
During the last three months, did the total number of employees in your firm increase, decrease, or stay about the same?	9
If you have filled or attempted to fill any job openings in the past three months, how many qualified applicants were there for the position(s)?	9
Do you have any job openings that you are not able to fill right now?	10
In the next three months, do you expect to increase or decrease the total number of people working for you?	10
Over the past three months, did you change the average employee compensation?	11
Do you plan to change average employee compensation during the next three months?	11



Are...loans easier or harder to get than they were three months ago?12

During the last three months, was your firm able to satisfy its borrowing needs?.....13

Do you expect to find it easier or harder to obtain your required financing during the next three months?.....13

If you borrow money regularly (at least once every three months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid three months ago?.....14

If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay?14

During the last three months, did you increase or decrease your inventories?.....15

At the present time, do you feel your inventories are too large, about right, or inadequate?.....15

Looking ahead to the next three months to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them?15

During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?16

If [your firm made any capital expenditures], what was the total cost of all these projects?17

Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?17

What is the single most important problem facing your business today?18

Please classify your major business activity, using one of the categories of example below.....19

How many employees do you have full and part-time, including yourself?19

