



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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February 2011

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	3%	-3	*
Plans to Make Capital Outlays	22%	1	*
Plans to Increase Inventories	-1%	2	*
Expect Economy to Improve	10%	1	*
Expect Real Sales Higher	13%	5	*
Current Inventory	0%	3	*
Current Job Opening	13%	0	*
Expected Credit Conditions	-10%	1	*
Now a Good Time to Expand	8%	0	*
Earnings Trend	-28%	6	*
Total Change		16	*

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 gained 1.5 points in January, rising to 94.1, not a huge gain and not the hoped-for rebound that would signify more growth in the small business sector. Gross Domestic Product (GDP) growth in the 4<sup>th</sup> quarter was a respectable at 3.2 percent but deficient compared to other recoveries. Consumer spending was up at a 4.4 percent annual rate, also a good showing, but it did not stimulate much activity in the small business sector. In part, this is a result of the concentration of the expansion in manufacturing, exporting and inventory building at large firms. Housing starts are still a million short of “normal” and weak sales still get the most votes by owners and the top business problem.

## LABOR MARKETS

Average employment change per firm was negative 0.15 employees over the past three months. After hitting the “0” line in October and November, job creation turned negative in December and deteriorated further in January. The Bureau of Labor Statistics (BLS) reported that private jobs increased a net 50,000. Construction, transportation and warehousing lost 70,000 jobs, undoubtedly weather related. Seasonal adjustments are based on an average winter, and this one has been anything but average. Thirteen (13) percent (seasonally adjusted) reported unfilled job openings, suggesting little change in the unemployment rate, due to hiring anyway. Over the next three months, 12 percent plan to increase employment (up two points), and eight percent plan to reduce their workforce (down one point), yielding a seasonally adjusted net three percent of owners planning to create new jobs, a three point loss from December. On Main Street, there are too many firms competing for low (but improving) consumer spending, not a recipe for strong employment growth.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past six months rose four points to 51 percent of all firms, higher than previous months, but historically low and far less than what is needed after years of recession and depreciation. Owners remain in “maintenance mode”, apparently unwilling to risk new capital investments or not seeing any need for them. The percent of owners planning capital outlays in the future rose one point to 22 percent, but is still historically quite low. Money is cheap, but most owners are not interested in a loan. Prospects are still uncertain enough to discourage any but the most profitable and promising investments.



# SUMMARY

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## INVENTORIES AND SALES

The net percent of all owners, seasonally adjusted, reporting higher nominal sales over the past three months improved by five points to a net negative 11 percent, 23 points better than March 2009 (near the recession bottom) but still indicative of weak customer activity. The net percent of owners expecting higher real sales continued to rise, gaining five points to a net 13 percent of all owners (seasonally adjusted), a 16 point gain since September. A net negative 10 percent of all owners reported growth in inventories (seasonally adjusted), down three points. Still, more firms cutting than adding.

## INFLATION

The downward pressure on prices appears to be easing as more firms are raising prices and fewer cutting them. Eighteen (18) percent of owners (down two points) reported raising average selling prices, and 20 percent reported average price reductions (down four points). Seasonally adjusted, the net percent of owners raising prices was a net negative four percent. Plans to raise prices rose four points to a net seasonally adjusted 19 percent of owners, the highest reading in 27 months. With an improving economy, more and more of these hikes will stick. Overall, this is not a “deflationary” outlook, but price increases will remain moderate for some time.

## PROFITS AND WAGES

Reports of positive earnings trends improved points in January, registering a net negative 28 percent. Better, but still far more owners report that earnings are deteriorating quarter on quarter than rising. Part of this is due to price cutting, which is fading in frequency as the economy continues to grow. Large firms may be posting great profits, but the trend on Main Street is not supportive of solid hiring and capital spending. Labor cost, materials costs, interest rates – not the problem. It is still weak sales. Six percent reported reduced employee compensation and 14 percent reported gains. Seasonally adjusted, a net 10 percent reported raised employee compensation, up two points, a sign that compensation is once again rising. Only a seasonally adjusted five percent plan to raise compensation, but that is the second highest reading in years. As labor markets tighten, compensation will rise.

## CREDIT MARKETS

Overall, 92 percent reported that all their credit needs were met or that they were not interested in borrowing. Eight percent reported that not all of their credit needs were satisfied, and 52 percent said they did not want a loan, up two points (12 percent did not answer the question and might be presumed to be uninterested in borrowing as well). Three percent reported financing as their #1 business problem, down two points. Thirty-one (31) percent of all owners reported borrowing on a regular basis, up one point but still near the record low. A net 10 percent reported loans “harder to get” compared to their last attempt (asked of regular borrowers only), continuing to trend down..



# COMMENTARY

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Fourth quarter growth was estimated to be 3.2 percent, taking the level of GDP past its 2007 peak. However, this was accomplished with the bulk of the 8 million job losses over the last few years, still gone. In part, this is explained by the fact that manufacturing and exporting are leading the recovery, industries and activities that are not labor intensive. Construction, a highly labor intensive industry still remains depressed, an industry dominated by small firms historically. A million housing starts below “normal” means many missing jobs and dramatically reduced loan demand.

So there was a modest increase in owner optimism, 94.1, the best reading since the economy peaked in December 2007. However, that reading was the 2<sup>nd</sup> lowest in 2007, so not a great accomplishment. The average reading before the recession started was 100. Expectations improved, but not spending and hiring plans. Although, Main Street disinflation is disappearing, inventories are coming into balance, sales and profit trends are improving, although still negative.

Washington remains obsessed with the notion that small banks will not lend money to “creditworthy” firms and that this is holding back employment and economic growth. Washington keeps inventing new programs to spur lending to small businesses, ignoring the fact that small business owners, for the most part, do not want a loan. If this was right, why such a minimal lending program? A \$30 billion lending program for firms that produce half the private GDP and \$60 billion for GM? Now that makes sense! A near record 52 percent of owners still claim they do not want a loan and only three percent claim that financing is their top business problem while 17 percent cite unreasonable regulations and red tape as their top issue. The President has ordered a review of regulations and support for entrepreneurship, but talk is cheap and small business has been the favorite target for such public relations rhetoric. But when action is required on issues like jobs, the President turns to GE, a large manufacturer with relatively few employees or promise of hiring more or to JP Morgan and other big banks now paying record bonuses once again (no “recession” on Wall Street!). This makes little sense.

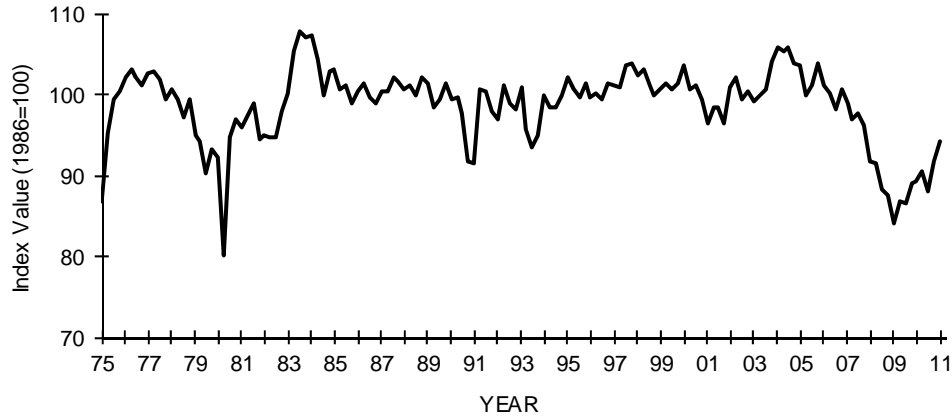
Federal, state and local governments have gone too far, arrogantly directing resources to unproductive purpose, engaging too many people in those activities and compensating them too well while promising too much. This has compromised the health of the economy and impaired its ability to grow. The financial crisis was at a minimum enabled by government, and most likely amplified by bad policies. Government is the problem. It will take time to clean-up this mess, but our future competitiveness and success depends on getting that task successfully completed.



# 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)

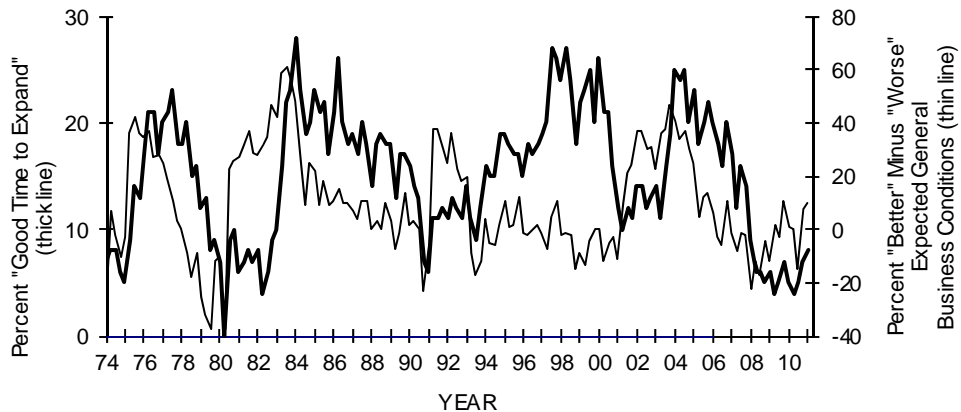
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	101.1	101.5	98.0	100.1	98.5	96.7	98.1	95.9	99.4	100.7	99.7	96.5
<b>2007</b>	98.9	98.2	97.3	96.8	97.2	96.0	97.6	96.3	97.3	96.2	94.4	94.6
<b>2008</b>	91.8	92.9	89.6	91.5	89.3	89.2	88.2	91.1	92.9	87.5	87.8	85.2
<b>2009</b>	84.1	82.6	81.0	86.8	88.9	87.8	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	88.1	88.8	89.0	91.7	93.2	92.6
<b>2011</b>	94.1											



## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January Quarter 1974 to January Quarter 2011  
(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>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	5	4	6	7	9	8
<b>2011</b>	8											

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
January 2011

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	3	44	17
<b>Sales Prospects</b>	2	6	2
<b>Fin. &amp; Interest Rates</b>	1	2	1
<b>Cost of Expansion</b>	1	3	2
<b>Political Climate</b>	0	6	4
<b>Other/Not Available</b>	0	1	2



### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

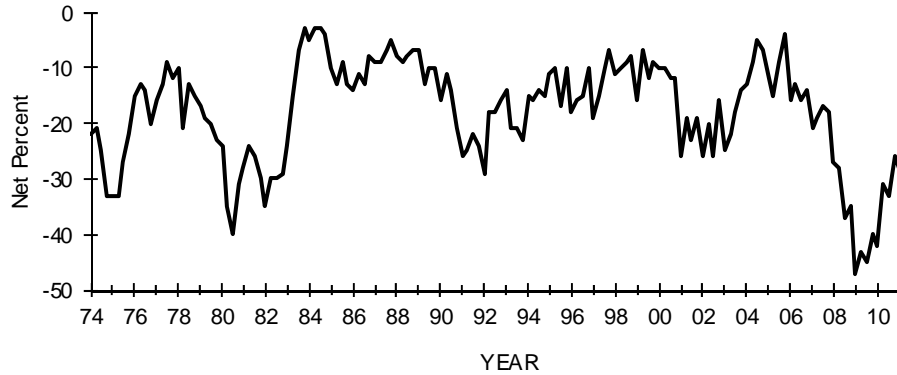
Net Percent ("Better" Minus "Worse") Six Months From Now  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	6	3	-5	-3	-10	-8	-6	-8	2	11	11	12
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-4
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9	-8	0	8	-6	-15	-8	-3	8	16	9
<b>2011</b>	10											

# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January Quarter 1974 to January Quarter 2011  
(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>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	-33	-30	-33	-26	-30	-34
<b>2011</b>	-28											



## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
January 2011

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	22	32	34
<b>Increased Costs*</b>	9	8	11
<b>Cut Selling Prices</b>	3	3	3
<b>Usual Seasonal Change</b>	6	6	6
<b>Other</b>	4	6	4

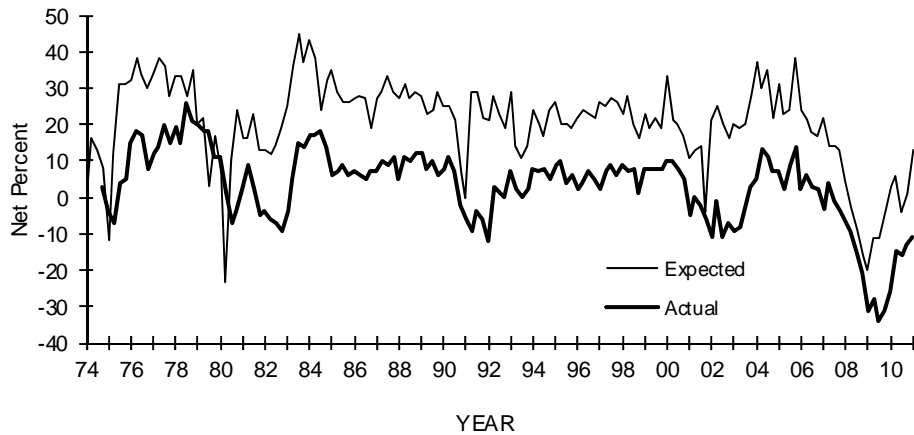
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)  
January 1974 to January 2011 (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>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	-16	-16	-17	-13	-15	-16
<b>2011</b>	-11											

## SALES EXPECTATIONS

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

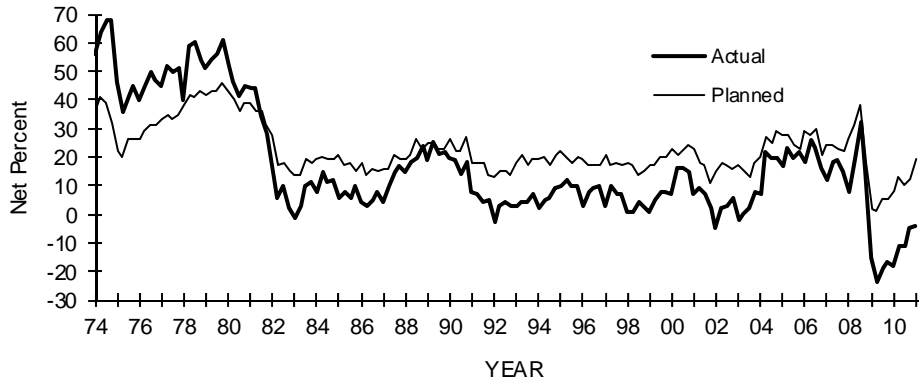
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	24	28	12	21	20	13	18	10	17	17	21	18
<b>2007</b>	22	17	14	14	16	11	14	13	14	13	8	6
<b>2008</b>	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
<b>2009</b>	-20	-29	-31	-11	-5	-10	-11	-5	-6	-4	-2	-1
<b>2010</b>	3	0	-3	6	5	-5	-4	0	-3	1	6	8
<b>2011</b>	13											



# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January Quarter 1974 to January Quarter 2011  
 (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>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	-11	-8	-11	-5	-4	-5
<b>2011</b>	-4											



## 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>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	10	10	7	12	13	15
<b>2011</b>	19											

# 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>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	-5	-2	-3	-6	-2	-1
<b>2011</b>	-4											

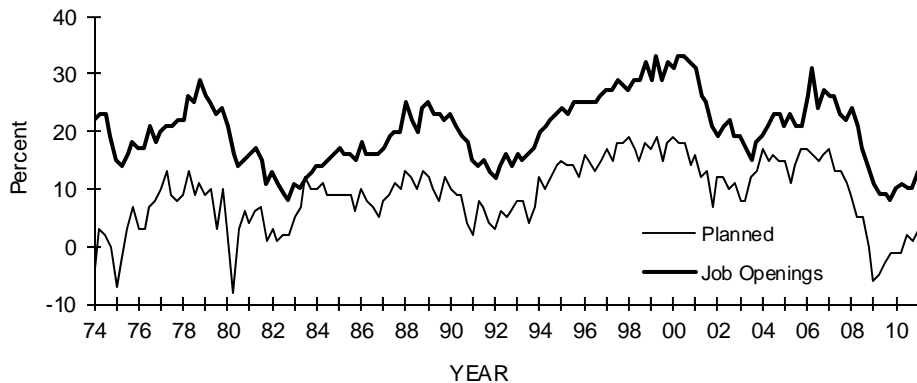
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	28	32	30	28	27	28
<b>2011</b>	28											

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January Quarter 1974 to January Quarter 2011  
(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>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	10	11	11	10	9	13
<b>2011</b>	13											

### HIRING PLANS

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

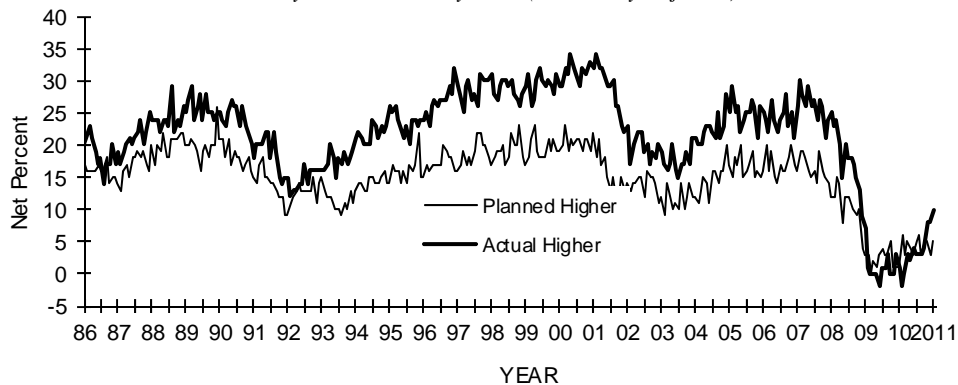
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	17	16	9	16	14	9	15	17	17	16	19	10
<b>2007</b>	17	13	12	13	13	12	13	15	14	11	11	11
<b>2008</b>	9	11	3	5	2	5	5	9	7	0	-4	-6
<b>2009</b>	-6	-3	-10	-5	-5	-1	-3	0	-4	-1	-3	-2
<b>2010</b>	-1	-1	-2	-1	1	1	2	1	-3	1	4	6
<b>2011</b>	3											



## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to January 2011 (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
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	8	8
2011	10											

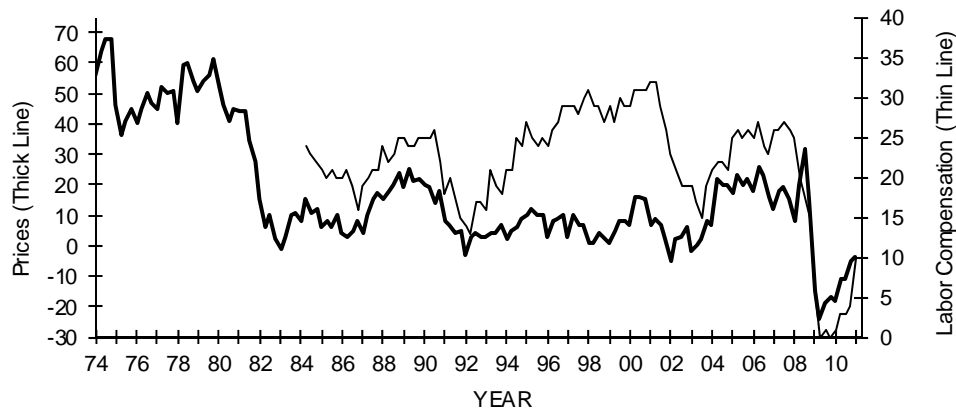
### COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	5	3
2011	5											

### PRICES AND LABOR COMPENSATION

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





## SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

### BORROWING NEEDS SATISFIED

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	27/9	27/9	27/9	26/9	25/9	28/9
<b>2011</b>	28/8											

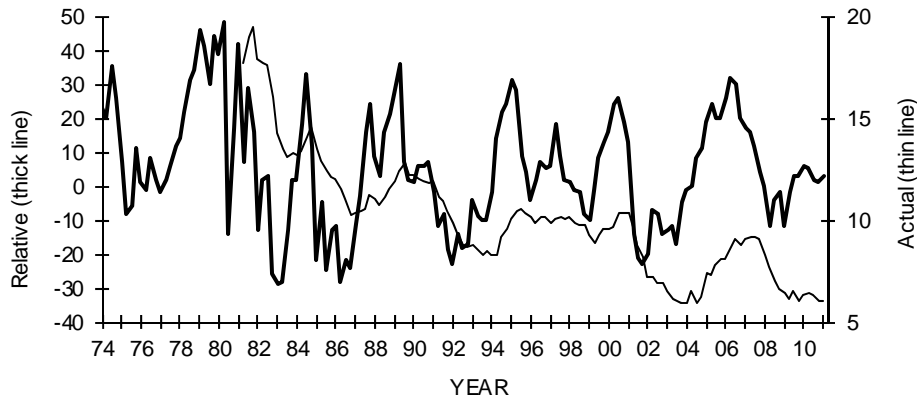
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-14	-14	-14	-12	-10	-11
<b>2011</b>	-10											

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January Quarter 1974 to January Quarter 2011



## 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
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	0	1
2011	3											

\*Borrowing at Least Once Every Three Months.

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

Average Interest Rate Paid

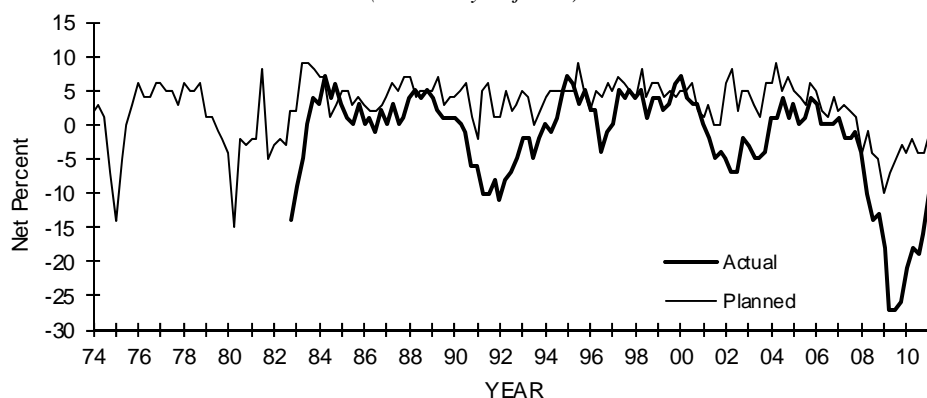
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
2007	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
2008	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
2009	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3
2010	6.3	6.0	6.8	6.4	6.5	6.0	6.3	6.3	6.2	6.0	5.7	6.2
2011	6.0											



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January Quarter 1974 to January Quarter 2011  
(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
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	-15	-13
2011	-10											

### 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
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	-3	-3
2011	0											

### INVENTORY PLANS

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

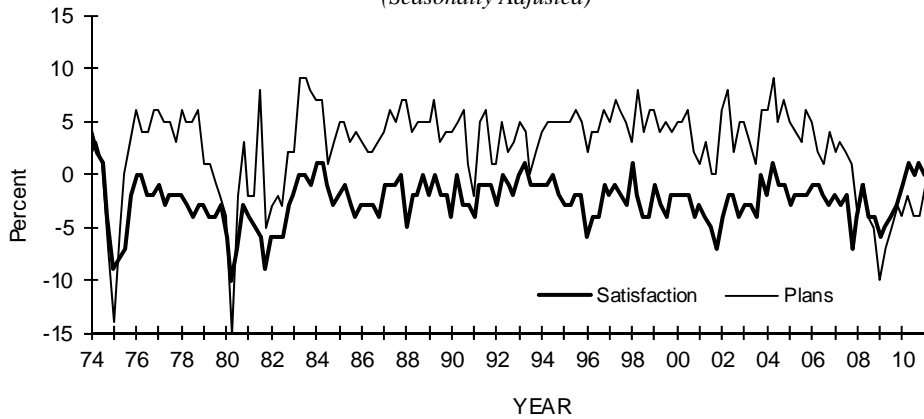
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	5	7	3	2	3	0	1	-1	-1	4	0	0
2007	2	3	3	3	0	-3	2	-4	0	1	2	-3
2008	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
2009	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
2010	-4	-7	-7	-2	2	-3	-4	-7	-3	-4	0	-3
2011	-1											



# SMALL BUSINESS CAPITAL OUTLAYS

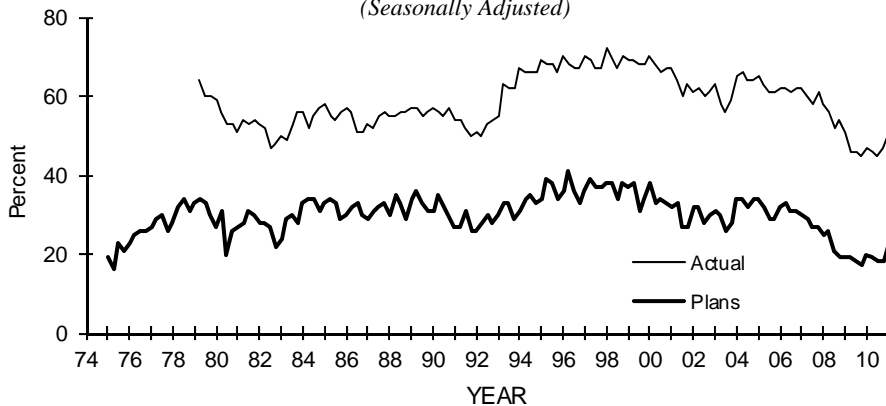
## INVENTORY SATISFACTION AND INVENTORY PLANS

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 January Quarter 2011  
*(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>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	45	44	45	47	51	47
<b>2011</b>	51											

## SMALL BUSINESS CAPITAL OUTLAYS (CONTINUED)

### TYPE OF CAPITAL EXPENDITURES MADE

Percent Purchasing or Leasing During Last Six Months

Type	Current	One Year Ago	Two Years Ago
Vehicles	18	16	20
Equipment	35	32	36
Furniture or Fixtures	11	10	12
Add. Bldgs. or Land	4	3	5
Improved Bldgs. or Land	12	10	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	4	5
\$1,000 to \$4,999	10	9	9
\$5,000 to \$9,999	5	6	5
\$10,000 to \$49,999	17	16	18
\$50,000 to \$99,999	6	5	7
\$100,000 +	8	7	9
No Answer	1	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
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	20	21
2011	22											



# SINGLE MOST IMPORTANT PROBLEM

## SINGLE MOST IMPORTANT PROBLEM

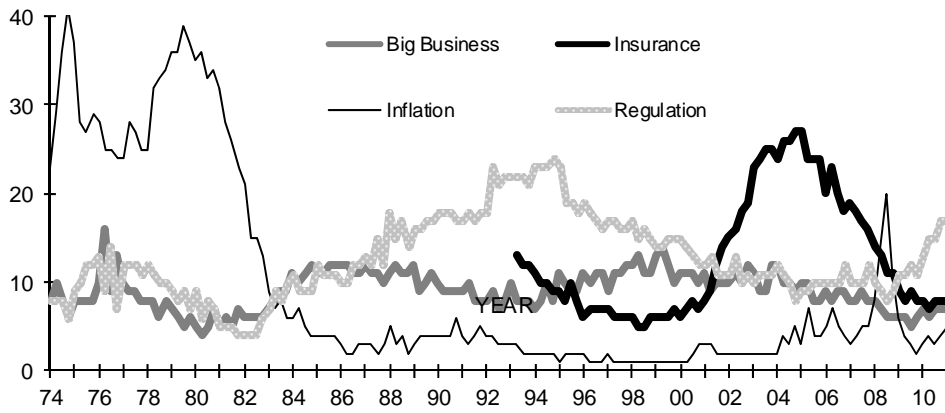
January 2011

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	19	22	32	8
<b>Inflation</b>	5	3	41	0
<b>Poor Sales</b>	27	31	33	2
<b>Fin. &amp; Interest Rates</b>	3	5	37	2
<b>Cost of Labor</b>	4	4	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	17	13	27	4
<b>Comp. From Large Bus.</b>	7	7	14	4
<b>Quality of Labor</b>	5	3	23	3
<b>Cost/Avail. of Insurance</b>	8	8	29	4
<b>Other</b>	5	4	31	2

## SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation

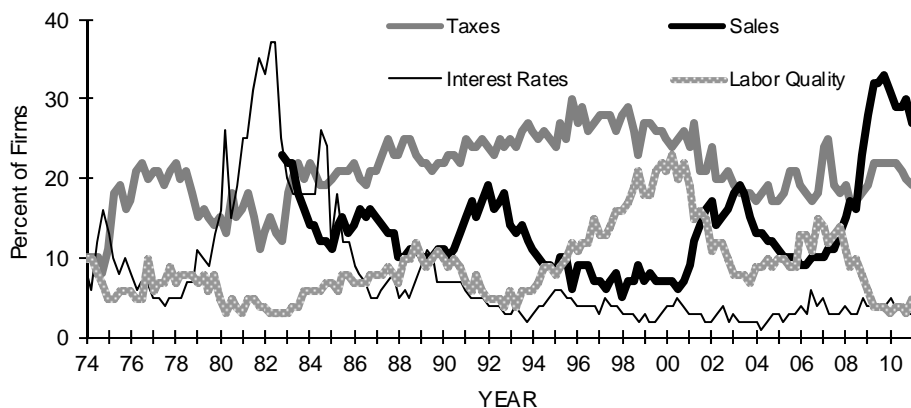
January Quarter 1974 to January Quarter 2011



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes

January Quarter 1974 to January Quarter 2011



# SURVEY PROFILE

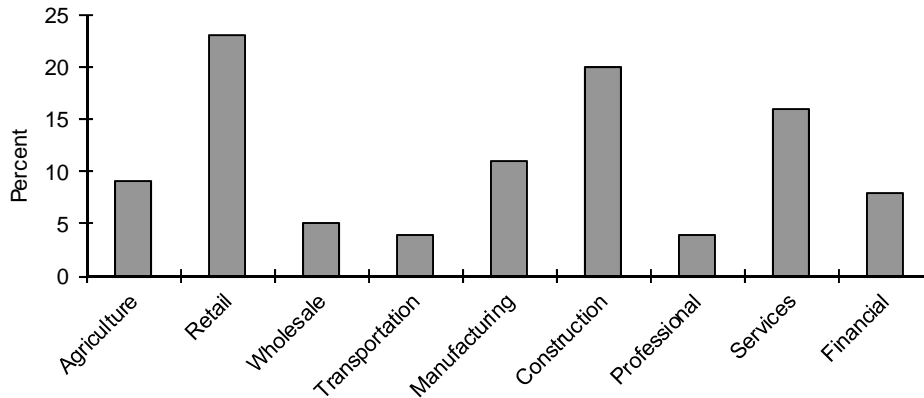
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	2029	874	849	1910	807	804
<b>2011</b>	2144											

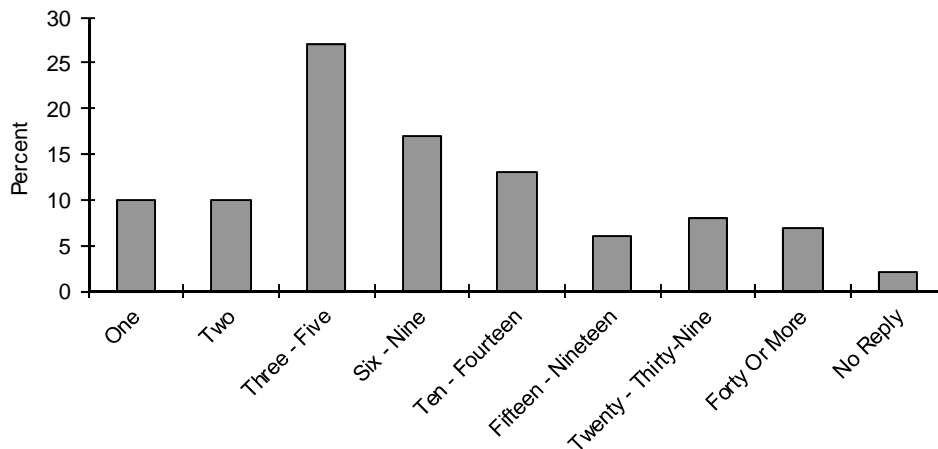
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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>



**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**

