



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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Holly Wadg

February 2013

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 to Index Change
Plans to Increase Employment	3%	2	*
Plans to Make Capital Outlays	21%	1	*
Plans to Increase Inventories	-7%	-3	*
Expect Economy to Improve	-30%	5	*
Expect Real Sales Higher	-1%	1	*
Current Inventory	-1%	-1	*
Current Job Openings	18%	2	*
Expected Credit Condition	-9%	2	*
Now a Good Time to Expand	6%	-2	*
Earnings Trends	-26%	3	*
Total Change		10	*

(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)

# ECONOMIC TRENDS

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*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 Senior Policy Analyst Holly Wade are responsible for the report.*

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# SUMMARY

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## **OPTIMISM INDEX**

The NFIB Index of Small Business Optimism increased 0.9 points to 88.9, still one of the lowest readings in the survey's 40 year history. Economic growth in the fourth quarter turned negative. Yes, 2 million jobs were added last year, but the population grew by 3 million so, mathematically, far fewer of those who were dislocated by the recession have found a job. It is no surprise that consumer sentiment remains depressed as well. Expectations for business conditions in six months improved 5 points to negative 30 percent, the fourth lowest reading in survey history. Owner pessimism is certainly not surprising in light of higher taxes, rising health insurance costs and increasing regulations. There was very little to be positive about. Only 11 percent of consumers thought government was doing a good job in the Reuters/University of Michigan survey, a very poor showing.

## **LABOR MARKETS**

Forty-three (43) percent of the owners hired or tried to hire in the last three months and 34 percent (79 percent of those trying to hire or hiring) reported few or no qualified applicants for open positions. More owners are now reporting net hiring than are reporting reductions, a positive development if it holds up. Eighteen (18) percent of all owners reported job openings they could not fill in the current period, up 2 points from December but still historically low for an expansion. This measure is highly correlated with the unemployment rate, so the NFIB survey anticipated little change in the rate. Job creation plans regained some of the December loss, rising 2 points to a net 3 percent planning to increase total employment. It is clear that the fourth quarter in 2012 was weaker, and plans have not regained the levels reached in early 2012.

## **CAPITAL SPENDING**

The frequency of reported capital outlays over the past six months rose 3 point to 55 percent, still in "maintenance mode" but at least an increase. The percent of owners planning capital outlays in the next 3 to 6 months rose 1 point to 21 percent. Six percent characterized the current period as a good time to expand facilities (down 2 points), historically a very weak number. The net percent of owners expecting better business conditions in 6 months was a net negative 30 percent, 5 points better than December but still disastrous, the fourth lowest reading in nearly 40 years. Overall, spending remained in "maintenance" mode, at levels only slightly better than during the Great Recession. And, with a very bearish outlook on the economy, plans to spend remained depressed.



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This survey was conducted in January 2013. A sample of 10,799 small-business owners/members was drawn. Two thousand and thirty-three (2,033) usable responses were received – a response rate of 19 percent.

# 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 1 point to a negative 9 percent. The five year high of a net 4 percent was reached in April last year. Nineteen (19) percent still cite weak sales as their top business problem, historically high, but far better than the record 34 percent reading last reached in March 2010. The net percent of owners expecting higher real sales volumes rose 1 point to a negative 1 percent of all owners (seasonally adjusted). The pace of inventory reduction continued with a net negative 7 percent of all owners reporting growth in inventories (seasonally adjusted), 3 points better than December, but still more owners reducing stocks than adding to them. But, with rather dismal sales expectations, plans to add to inventories remained weak at a net negative 7 percent of all firms (seasonally adjusted), 3 points worse than December.

## INFLATION

Nineteen percent of the NFIB owners reported raising their average selling prices in the past three months (up 3 points), and 15 percent reported price reductions (down 2 points). Seasonally adjusted, the net percent of owners raising selling prices was 2 percent, up 2 points. Seasonally adjusted, a net 21 percent plan price hikes, up 5 points. The recession and the weak recovery have made sure that the lid stays on inflation. There is still far too much capacity and far too few customers to produce a rising price level.

## PROFITS AND WAGES

Reports of positive earnings trends improved 3 points in January after a 3 point improvement in December, rising to a net negative 26 percent, still a dismal reading. Three percent reported reduced worker compensation and 14 percent reported raising compensation, yielding a seasonally adjusted net 13 percent reporting higher worker compensation (unchanged). A net seasonally adjusted 7 percent plan to raise compensation in the coming months, up 2 points from December. Earnings are the major source of capital for small firms to finance growth and expansion (and repay debts incurred to invest in their firms). With rising tax rates for many owners, rising health care costs, and a flood of new regulations to comply with, generating the profits needed to grow businesses will be more challenging in 2013.

## CREDIT MARKETS

Six percent of the owners reported that all their credit needs were not met, unchanged from December. Thirty-one (31) percent reported all credit needs met and 3 percent reported that financing was their top business problem. Thirty-one (31) percent of all owners reported borrowing on a regular basis, up 2 points from December and historically low. A net 7 percent reported loans “harder to get” compared to their last attempt (asked of regular borrowers only), 2 points lower than December. The average rate paid on short maturity loans was 5.5 percent, stuck at much the same level for years.



# COMMENTARY

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Bad news continued to dominate the information flow to business owners. GDP actually fell in the fourth quarter, and grew less than 2 percent for all of 2012. A sharp decline in defense spending subtracted about 1.3 percentage points from the growth rate, a warning as to what might happen if sequestration actually occurs with no deal to change its magnitude and timing. A sharp decline in inventory building also knocked a point or more off the GDP growth rate. But even if those events had not occurred, overall growth would have still been around 2 percent, not enough to produce the jobs needed to reduce unemployment meaningfully. Indeed, the unemployment rate went up. Now the focus is on what Congress will do to avoid the sequestration and deal with the debt limit. Odds are a deal will be reached, but uncertainty reigns, just what it will look like, how much more in tax revenue and how meaningful spending reductions will be is very unclear. As a consequence, uncertainty about the growth in the economy and economic policy continues to depress investment spending and hiring and keeps consumers depressed and spending less as well.

So, no surprise, the Optimism Index barely budged. The only good news is that it “budded “up, not down. Still, the outlook for business condition mid-year is grim, Thirty-five percent expect conditions to be worse, 10 points better than December, but historically one of the worst readings in 40 years of survey history, rivaling the 1980 figures. Many economists argue that what is needed is new firms to start and create new jobs. Nice idea, but it would take a net 1.6 million new starts (with an average of 5 employees) to employ the 8 million who lost their jobs in the Great Recession. “New” firms didn’t lay off those workers, “existing” firms did, and they must re-hire workers if the unemployment rate is to be significantly reduced. And, not many new firms will start in this environment. Until recently, far more firms were being eliminated than started because we not only built too many houses in the boom, we also started too many new firms to serve consumers that were spending 99 percent of every after-tax income dollar in late 2008. Population growth generates the need for more firms and job growth in the long haul, but our current problem is that existing firms still haven’t re-hired to their 2007 levels. A huge chunk of this is in construction.

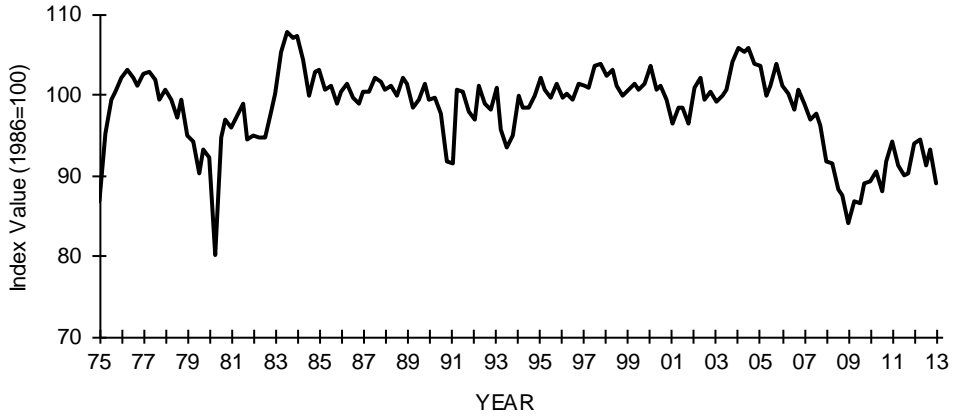
Whatever Congress does, the private sector will continue to push the economy forward. As Thoreau once observed, the only way government can help business is to get out of the way. Congress can certainly slow the economy down, even help create crises, but in the longer run, the economy will grow, especially with population growth of 3 million annually (thus housing must recover). We just have to wait and see what the “management team” decides to do for USA, Inc. Hopefully, their decisions will improve our “bottom line”.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

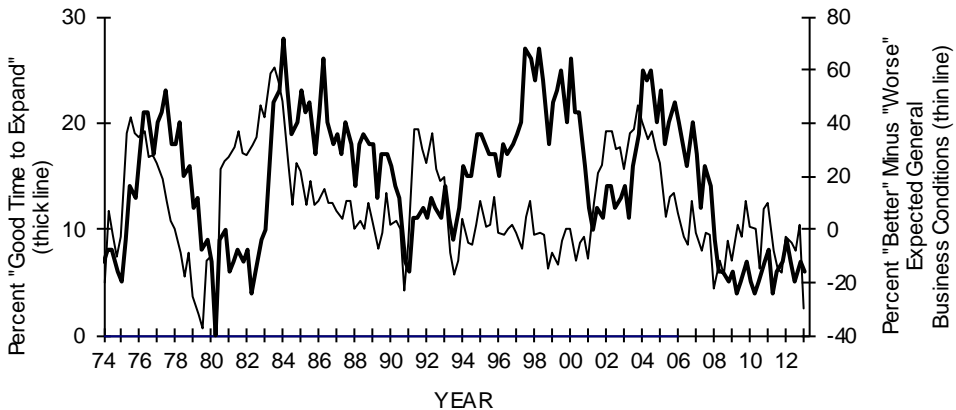
Based on Ten Survey Indicators  
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	94.5	91.9	91.2	90.9	90.8	89.9	88.1	88.9	90.2	92.0	93.8
<b>2012</b>	93.9	94.3	92.5	94.5	94.4	91.4	91.2	92.9	92.8	93.1	87.5	88.0
<b>2013</b>	88.9											

## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January Quarter 1974 to January Quarter 2013  
(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>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	7	5	4	5	4	6	5	6	7	8	10
<b>2012</b>	9	8	7	7	7	5	5	4	7	7	6	8
<b>2013</b>	6											

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
January 2013

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	2	40	11
<b>Sales Prospects</b>	1	3	2
<b>Fin. &amp; Interest Rates</b>	1	1	0
<b>Cost of Expansion</b>	0	2	1
<b>Political Climate</b>	0	21	7
<b>Other/Not Available</b>	1	2	4

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

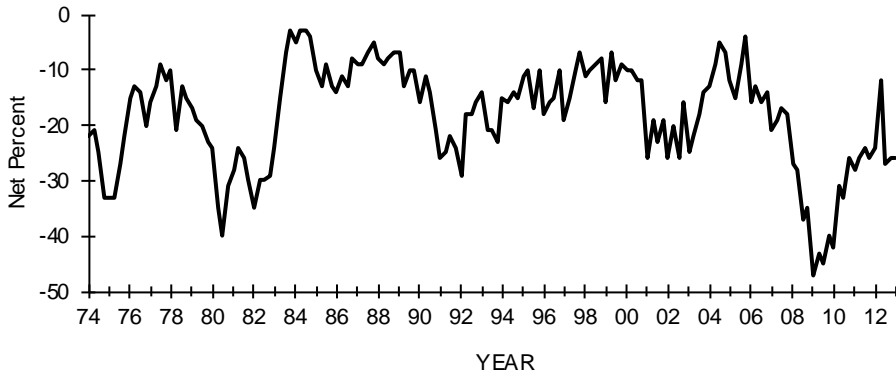
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9	-8	0	8	-6	-15	-8	-3	8	16	9
<b>2011</b>	10	9	-5	-8	-5	-11	-15	-26	-22	-16	-12	-8
<b>2012</b>	-3	-6	-8	-5	-2	-10	-8	-2	2	2	-35	-35
<b>2013</b>	-30											



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January Quarter 1974 to January Quarter 2013  
(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>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	-27	-32	-26	-24	-24	-24	-26	-27	-26	-28	-22
<b>2012</b>	-24	-19	-23	-12	-15	-22	-27	-28	-27	-26	-32	-29
<b>2013</b>	-26											

## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
January 2012

Reason	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	18	18	22
<b>Increased Costs*</b>	9	9	9
<b>Cut Selling Prices</b>	2	3	3
<b>Usual Seasonal Change</b>	7	6	6
<b>Other</b>	4	3	4

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

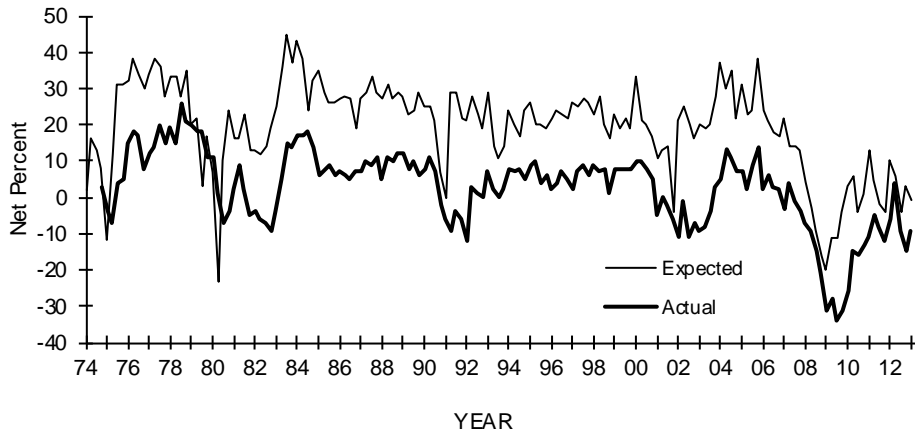




# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)  
January 1974 to January 2013 (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>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	-11	-12	-5	-9	-7	-8	-9	-10	-12	-11	-7
<b>2012</b>	-6	-7	1	4	2	-5	-9	-13	-13	-15	-15	-10
<b>2013</b>	-9											

## SALES EXPECTATIONS

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

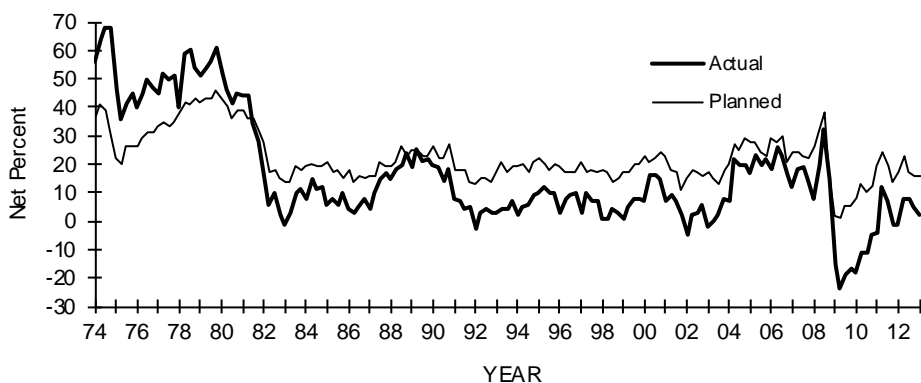
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	4	0	-3	-3	-11	-11	-9	-6	-2	-16	-14	-18
<b>2009</b>	-20	-29	-31	-11	-5	-10	-11	-5	-6	-4	-2	-1
<b>2010</b>	3	0	-3	6	5	-5	-4	0	-3	1	6	8
<b>2011</b>	13	14	6	5	3	0	-2	-12	-6	-4	4	9
<b>2012</b>	10	12	8	6	2	-3	-4	1	1	3	-5	-2
<b>2013</b>	-1											



# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January Quarter 1974 to January Quarter 2013  
 (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>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	5	9	12	15	10	7	1	6	-1	0	0
<b>2012</b>	-1	1	6	8	3	3	8	9	6	5	0	0
<b>2013</b>	2											



## 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>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	21	24	24	23	15	19	16	14	14	15	14
<b>2012</b>	17	19	21	23	17	16	17	17	19	16	16	16
<b>2013</b>	21											

# 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>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	-2	-4	-6	-3	-7	-2	-2	-5	0	2	1
<b>2012</b>	0	-2	-3	-4	-5	-3	1	2	-3	1		
<b>2013</b>	2											

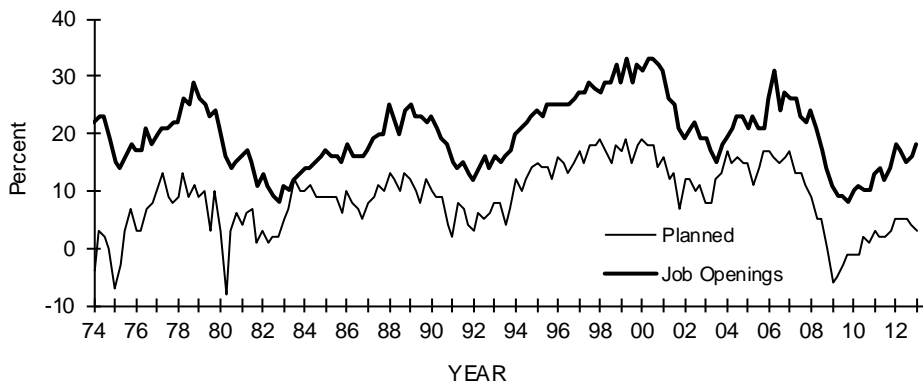
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	30	29	32	30	33	31	33	34	31	35	34
<b>2012</b>	31	31	32	34	37	33	38	37	41	38	36	33
<b>2013</b>	34											

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January Quarter 1974 to January Quarter 2013  
(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>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	15	15	14	12	15	12	15	14	14	16	15
<b>2012</b>	18	17	15	17	20	15	15	18	17	16	17	16
<b>2013</b>	18											

### HIRING PLANS

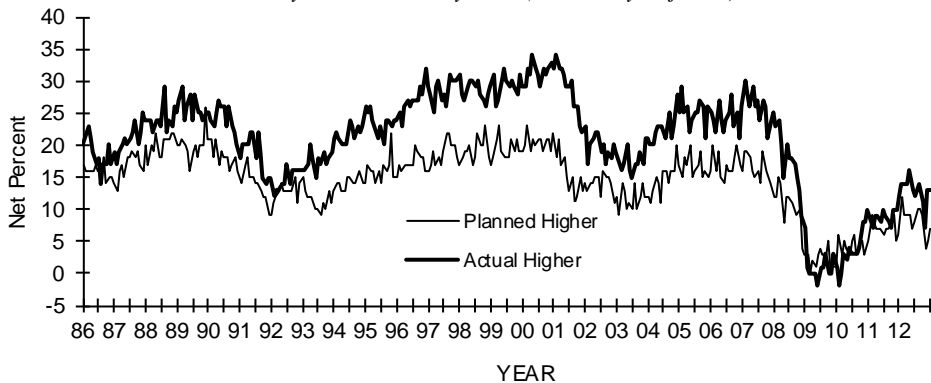
Net Percent ("Increase" Minus "Decrease") in the Next Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	5	2	2	-1	3	2	5	4	3	7	6
<b>2012</b>	5	4	0	5	6	3	5	10	4	4	5	1
<b>2013</b>	3											

## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to January 2013 (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>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	3	3	3	4	8	8
<b>2011</b>	10	8	7	9	9	8	10	9	8	7	10	10
<b>2012</b>	12	14	14	14	16	13	12	13	14	11	7	13
<b>2013</b>	13											

### 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>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	5	6	3	5	5	3
<b>2011</b>	5	7	9	7	7	7	6	7	7	8	9	5
<b>2012</b>	6	12	9	9	9	7	8	10	10	9	4	5
<b>2013</b>	7											

### PRICES AND LABOR COMPENSATION

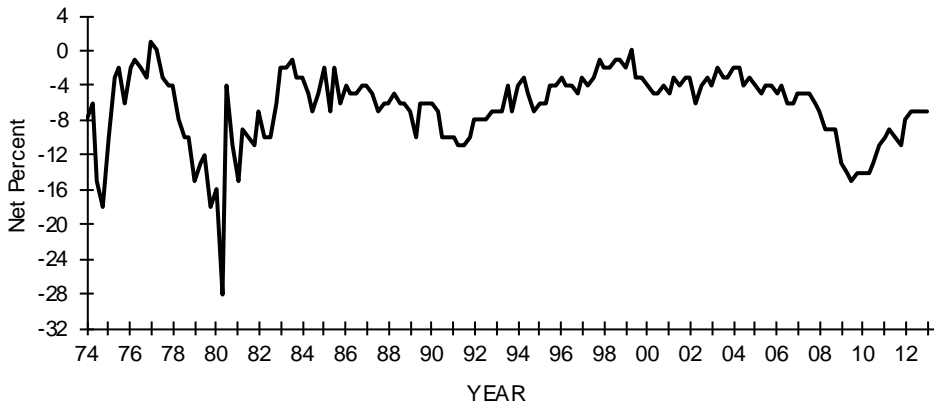
Net Percent Price Increase and Net Percent Compensation Increase  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January Quarter 1974 to January Quarter 2013



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

## REGULAR BORROWERS

Percent Borrowing at Least Once Every Three Months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<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	32	31	33	31	28	30
<b>2011</b>	31	31	29	32	29	29	30	32	31	30	34	31
<b>2012</b>	32	32	31	32	32	29	31	30	31	30	30	29
<b>2013</b>	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
<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	-13	-12	-14	-11	-11	-12
<b>2011</b>	-10	-11	-8	-9	-10	-9	-10	-13	-10	-11	-10	-8
<b>2012</b>	-8	-8	-11	-7	-9	-7	-7	-7	-6	-7	-9	-9
<b>2013</b>	-7											

## 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>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	29/8	28/7	28/8	28/8	25/9	28/8	28/7	29/8	28/9	30/7	29/7
<b>2012</b>	30/7	31/7	27/8	31/8	29/9	29/7	30/7	31/7	32/8	28/8	28/6	29/6
<b>2013</b>	31/6											

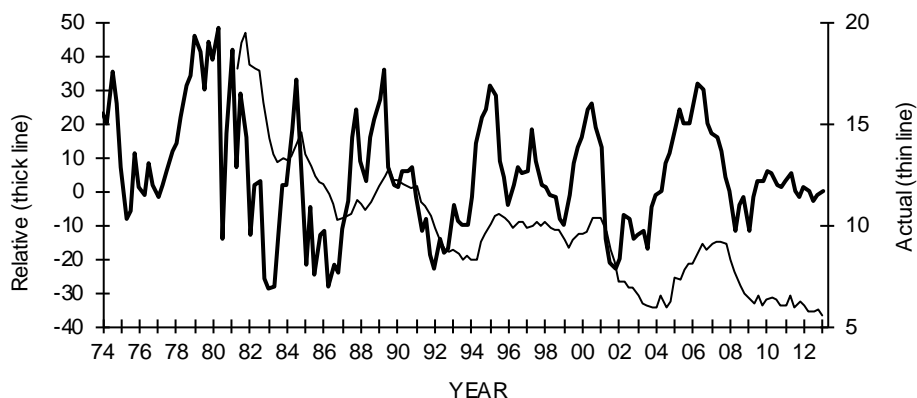
### EXPECTED CREDIT CONDITIONS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	-10	-9	-13	-11	-10	-11	-13	-12	-11	-10	-9
<b>2012</b>	-9	-10	-11	-8	-10	-8	-7	-9	-7	-8	-10	-11
<b>2013</b>	-9											

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January Quarter 1974 to January Quarter 2013



## 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>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	2	3	1	1	0	1
<b>2011</b>	3	6	5	5	3	0	0	1	1	-2	-1	-3
<b>2012</b>	1	2	3	0	-1	-5	-3	-2	0	-1	2	-2
<b>2013</b>	0											

\*Borrowing at Least Once Every Three Months.

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

Average Interest Rate Paid

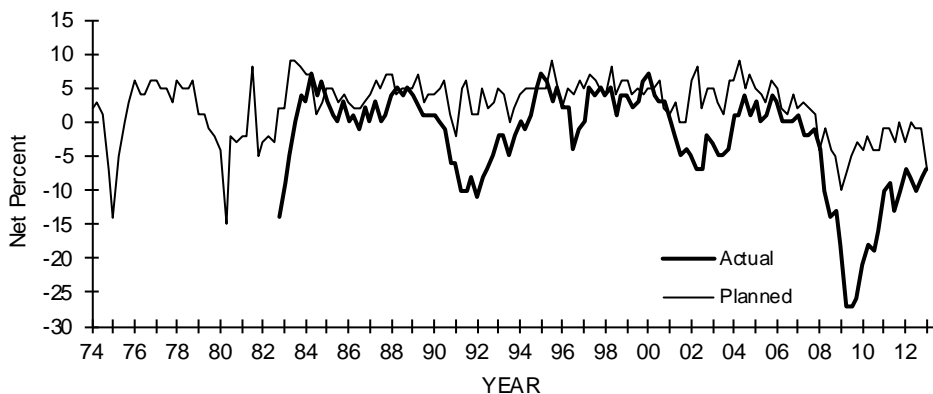
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
<b>2009</b>	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3
<b>2010</b>	6.3	6.0	6.8	6.4	6.5	6.0	6.3	6.3	6.2	6.0	5.7	6.2
<b>2011</b>	6.0	6.0	5.9	6.5	6.0	6.0	5.9	6.1	6.1	6.2	5.7	6.2
<b>2012</b>	6.0	5.8	5.7	5.7	5.5	6.3	5.7	5.7	5.7	5.8	5.7	5.6
<b>2013</b>	5.5											



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January Quarter 1974 to January Quarter 2013  
(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>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	-19	-15	-14	-16	-15	-13
<b>2011</b>	-10	-8	-7	-9	-13	-14	-13	-9	-11	-10	-10	-10
<b>2012</b>	-7	0	-9	-8	-8	-7	-10	-7	-8	-8	-10	-10
<b>2013</b>	-7											

### 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>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	0	-1	-2	1	-3	-3
<b>2011</b>	0	2	-1	1	-1	-1	0	1	-1	0	-1	0
<b>2012</b>	1	2	3	0	0	0	0	0	-1	0	-2	0
<b>2013</b>	-1											

### INVENTORY PLANS

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

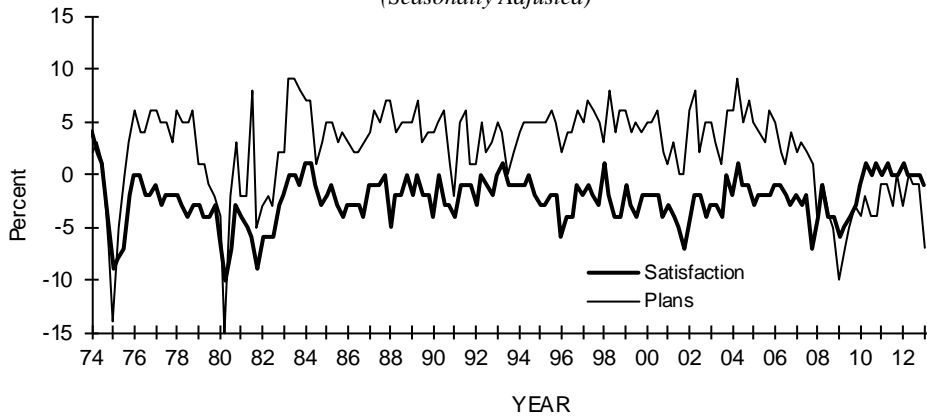
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
<b>2009</b>	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
<b>2010</b>	-4	-7	-7	-2	2	-3	-4	-7	-3	-4	0	-3
<b>2011</b>	-1	-2	1	-1	-3	-3	-3	-5	-2	0	0	2
<b>2012</b>	-3	2	0	0	2	0	-1	-1	-1	-1	-5	-4
<b>2013</b>	-7											



# SMALL BUSINESS CAPITAL OUTLAYS

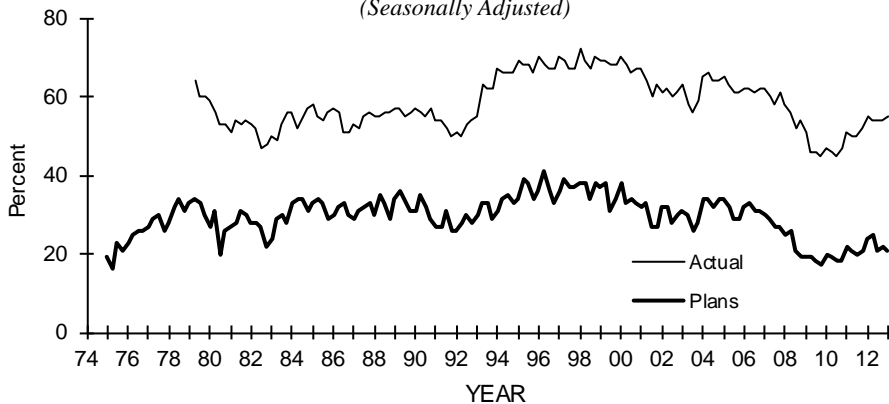
## INVENTORY SATISFACTION AND INVENTORY PLANS

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 2013  
*(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>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	49	51	50	50	50	50	52	50	52	53	56
<b>2012</b>	55	57	52	54	55	52	54	55	51	54	53	52
<b>2013</b>	55											



## 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
<b>Vehicles</b>	21	20	18
<b>Equipment</b>	39	38	35
<b>Furniture or Fixtures</b>	11	11	11
<b>Add. Bldgs. or Land</b>	5	6	4
<b>Improved Bldgs. or Land</b>	12	13	12

### AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures  
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
<b>\$1 to \$999</b>	3	4	4
<b>\$1,000 to \$4,999</b>	8	8	10
<b>\$5,000 to \$9,999</b>	6	6	5
<b>\$10,000 to \$49,999</b>	18	16	17
<b>\$50,000 to \$99,999</b>	8	8	6
<b>\$100,000 +</b>	11	9	8
<b>No Answer</b>	1	2	1

### CAPITAL EXPENDITURE PLANS

Percent Planning a Capital Expenditure During Next Three to Six Months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2008</b>	25	26	25	26	25	26	21	23	21	19	21	17
<b>2009</b>	19	18	16	19	20	17	18	16	18	17	16	18
<b>2010</b>	20	20	19	19	20	19	18	16	19	18	20	21
<b>2011</b>	22	22	24	21	20	21	20	21	20	21	24	24
<b>2012</b>	24	23	22	25	24	21	21	24	21	22	19	20
<b>2013</b>	21											



# SINGLE MOST IMPORTANT PROBLEM

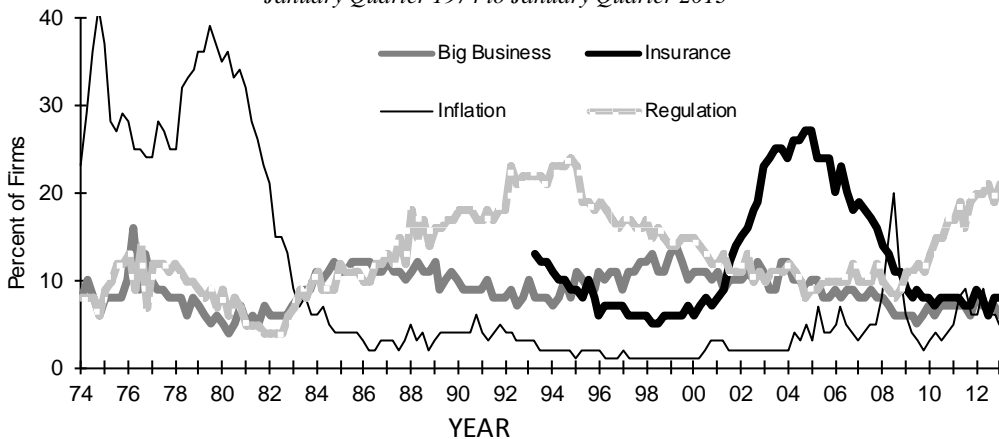
## SINGLE MOST IMPORTANT PROBLEM

January 2013

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	21	18	32	8
<b>Inflation</b>	5	6	41	0
<b>Poor Sales</b>	19	22	33	2
<b>Fin. &amp; Interest Rates</b>	3	4	37	2
<b>Cost of Labor</b>	3	4	9	2
<b>Govt. Regs. &amp; Red Tape</b>	21	20	27	4
<b>Comp. From Large Bus.</b>	6	8	14	4
<b>Quality of Labor</b>	5	6	23	3
<b>Cost/Avail. of Insurance</b>	8	9	29	4
<b>Other</b>	9	3	31	2

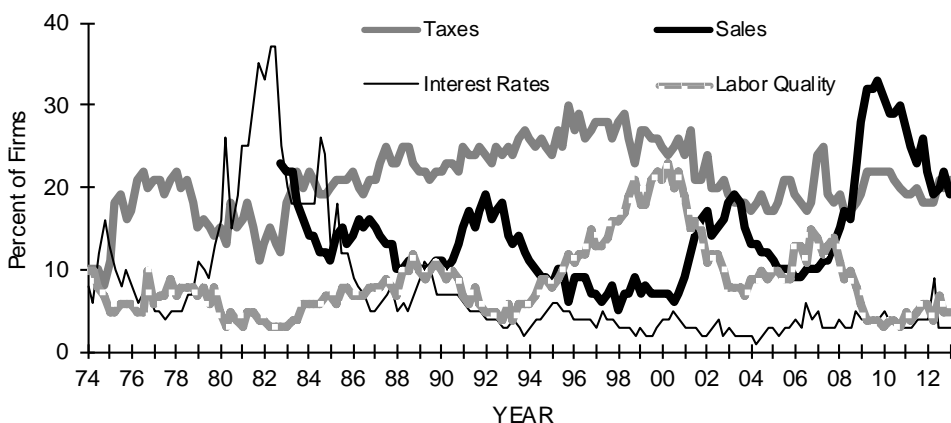
## SELECTED SINGLE MOST IMPORTANT PROBLEM

Insurance, Big Business Competition, Inflation, and Regulation  
January Quarter 1974 to January Quarter 2013



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Sales, Fin. & Interest Rates, Labor Cost, Labor Quality, and Taxes  
January Quarter 1974 to January Quarter 2013



# SURVEY PROFILE

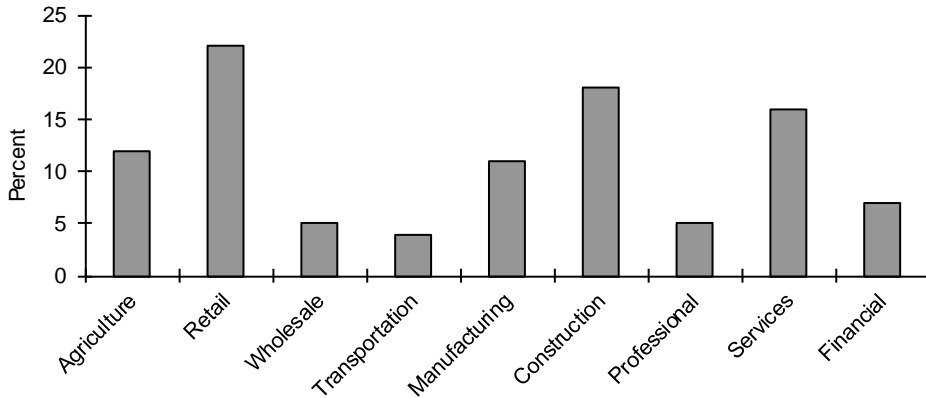
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	774	811	1985	733	766	1817	926	729	2077	781	735
<b>2012</b>	2155	819	757	1817	681	740	1803	736	691	2029	733	648
<b>2013</b>	2033											

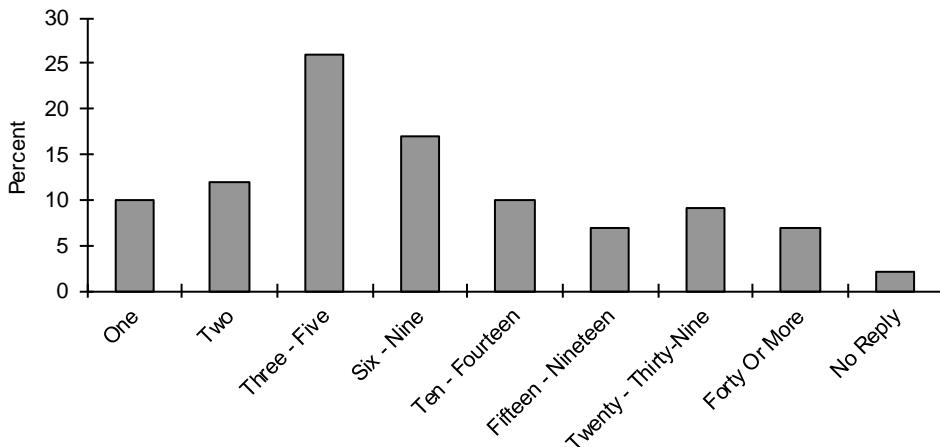
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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>



SMALL BUSINESS SURVEY QUESTIONS

PAGE IN REPORT

**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**

