



NFIB SMALL BUSINESS ECONOMIC TRENDS

William C. Dunkelberg
Holly Wadg

August 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 | 9% | 2 | * |
| Plans to Make Capital Outlays | 23% | 0 | * |
| Plans to Increase Inventories | -1% | 0 | * |
| Expect Economy to Improve | -6% | -2 | * |
| Expect Real Sales Higher | 7% | 2 | * |
| Current Inventory | -1% | 1 | * |
| Current Job Openings | 20% | 1 | * |
| Expected Credit Conditions | -8% | -1 | * |
| Now a Good Time to Expand | 9% | 2 | * |
| Earnings Trends | -22% | 1 | * |
| Total Change | | 6 | * |

(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

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

OPTIMISM INDEX

The NFIB Index of Small Business Optimism gained a whoppin' 0.6 points in July. At 94.1, the Index does not impress and signals nothing but a subpar performance for the 3rd quarter. In an attempt to “make lemonade”, the July reading is the 4th highest reading since December 2007 which was 94.6, well below the average reading of 100 in the prior 35 years and only half a point better than the July reading.

LABOR MARKETS

July was another slow month for jobs among NFIB's 350,000 owners. Nine percent of the owners (down 2 points) reported adding an average of 2.9 workers per firm over the past few months. Offsetting that, 12 percent reduced employment (unchanged) an average of 2.6 workers (seasonally adjusted), producing the seasonally adjusted gain of negative 0.11 workers per firm. Fifty (50) percent of the owners hired or tried to hire in the last three months and 40 percent reported few or no qualified applicants for open positions. Basically, owners have stopped reducing employment (historically low percent reporting reductions), so initial claims have been falling, but they have not resumed hiring which would reduce the unemployment rate for good reasons, not because people are leaving the labor force. Twenty (20) percent of all owners reported job openings they could not fill in the current period (up 1 point), a good omen for the unemployment rate. Fifteen (15) percent reported using temporary workers, up 3 points from June. Job creation plans rose 2 points to a net 9 percent planning to increase total employment, better, the best reading since August 2012. But overall, not a lot of promise for new job growth.

CAPITAL SPENDING

The frequency of reported capital outlays over the past 6 months fell 2 points to 54 percent, 7 points below the average spending rate through 2007. Of those making expenditures, 37 percent reported spending on new equipment (down 2 points), 21 percent acquired vehicles (down 2 points), and 13 percent improved or expanded facilities (down 1 point). Five percent acquired new buildings or land for expansion (down 1 point) and 10 percent spent money for new fixtures and furniture (unchanged). Reports of outlays fell in all categories except fixtures and furnishings. Overall, this is a weaker spending picture. The percent of owners planning capital outlays in the next 3 to 6 months was unchanged at 23 percent. Nine percent characterized the current period as a good time to expand facilities (up 2 points). The net percent of owners expecting better business conditions in 6 months was a net negative 6 percent, 2 points worse than June. This rather negative outlook for economic growth is not conducive to capital spending that depends on future revenue growth to support it.



SUMMARY

INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past 3 months compared to the prior 3 months improved one point, rising to a negative 7 percent. Sixteen (16) 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 2 points to 7 percent of all owners (seasonally adjusted), 7 points below the cycle high of a net 14 percent reached in February 2011, and that was a poor reading. These expectations are not the kind that will generate a lot of new employment or new orders for inventories.

The pace of inventory reduction continued, with a net negative 10 percent of all owners reporting growth in inventories (seasonally adjusted), 3 points worse than June. For all firms, a net negative 1 percent (a 1 point improvement) reported stocks too low. The net percent of owners planning to add to inventory stocks was unchanged at a negative 1 percent, in line with rather poor expectations for sales growth.

INFLATION

Seasonally adjusted, the net percent of owners raising selling prices was 4 percent, down 4 points. Sixteen (16) percent plan on raising average prices in the next few months (down 3 points), and 3 percent plan reductions (unchanged). Seasonally adjusted, a net 15 percent plan price hikes, down 3 points. Overall, there is not much pressure on selling prices, with reported and planned price increases mostly offset by actual and planned reductions in selling prices, a fairly benign inflation picture.

PROFITS AND WAGES

Reports of positive earnings trends improved a point in July to a negative 22 percent. Four percent reported reduced worker compensation and 19 percent reported raising compensation, yielding a seasonally adjusted net 14 percent reporting higher worker compensation (unchanged). A net seasonally adjusted 11 percent plan to raise compensation in the coming months, up 5 points.

CREDIT MARKETS

Five percent of the owners reported that all their credit needs were not met, unchanged and the lowest reading since February, 2008. Thirty (30) percent reported all credit needs met. Only 3 percent reported that financing was their top business problem compared to 21 percent citing taxes. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted negative 8 percent (more owners expect that it will be “harder” to arrange financing than easier), 1 point worse than in June but the third most favorable reading since 2007. Thirty-one (31) percent of all owners reported borrowing on a regular basis, up 2 points. A net 6 percent reported loans “harder to get” compared to their last attempt (asked of regular borrowers only), unchanged from June. The average rate paid on short maturity loans was 5.6 percent.



COMMENTARY

Gross Domestic Product (GDP) revisions confirmed what the NFIB survey has been reporting – we are not producing much additional output and not employing many new workers. Growth in the 4th quarter of 2012 was essentially (0.1%), growth in the 1st quarter of 2013 was revised down to 1.1 percent and the 2nd quarter at 1.7 percent (first guess). Only 160,000 new jobs (July) would be insufficient to lower the unemployment rate to 7.4 percent were it not for more people disappearing from the labor force. If you do not want a job, you can not be counted as “unemployed”. Broader measures of unemployment reveal a weak labor market. Much has been made over the high level of job creation in recent months. GDP numbers seem inconsistent, what are they making? July’s job growth is more consistent with the poor GDP numbers.

Meantime, the leadership vacuum continues with Congress unable to negotiate and the President on the campaign trail rarely talking about the big issues while tossing government tidbits to various voter blocks. Employment remains millions below its level in 2008 and only 11 percent of consumers think government policy is “good” (Reuters/University of Michigan, July survey). This is where we stand after four years of “recovery”.

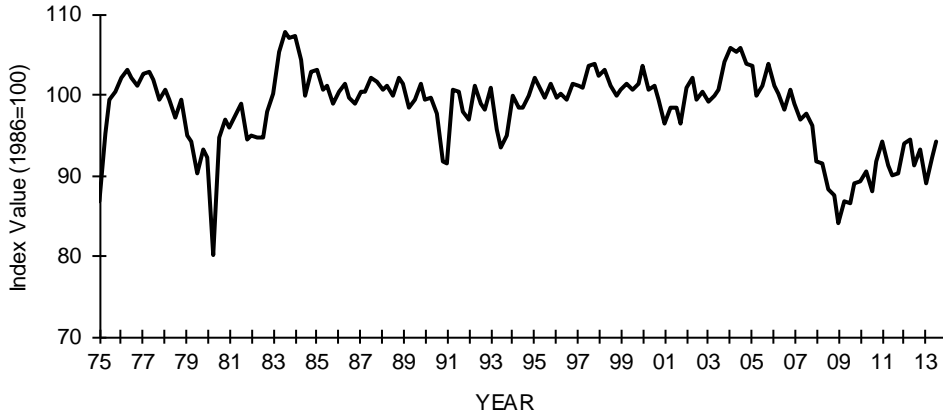
The amazing stock market continues to surge ahead, even as prospects for earnings growth fade. On Main Street, there is no evidence of profit growth. The economy remains bifurcated, exports turned in a good performance, mostly activity for the large manufacturers, energy companies and agribusiness. Sales for small businesses, especially at service firms, continue to languish. Job openings improved, signaling a tightening in labor markets due as much to departures from the labor force as to the creation of new jobs (of which there were few). But this puts downward pressure on the unemployment rate. Plans to create new jobs also advanced, in spite of pessimistic views of future sales growth, but still historically low and not typical of periods of economic growth.



OVERVIEW - SMALL BUSINESS OPTIMISM

OPTIMISM INDEX

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



OPTIMISM INDEX

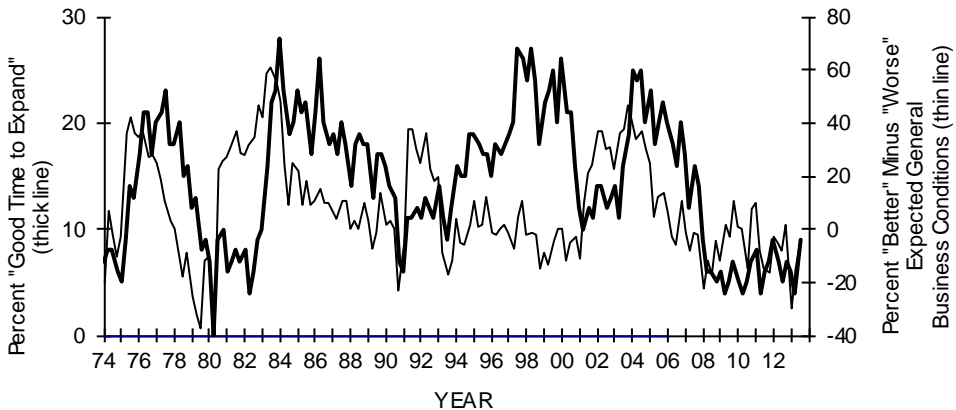
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|
| 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 | 93.2 | 92.6 |
| 2011 | 94.1 | 94.5 | 91.9 | 91.2 | 90.9 | 90.8 | 89.9 | 88.1 | 88.9 | 90.2 | 92.0 | 93.8 |
| 2012 | 93.9 | 94.3 | 92.5 | 94.5 | 94.4 | 91.4 | 91.2 | 92.9 | 92.8 | 93.1 | 87.5 | 88.0 |
| 2013 | 88.9 | 90.8 | 89.5 | 92.1 | 94.4 | 93.5 | 94.1 | | | | | |

SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 9 | 8 |
| 2011 | 8 | 7 | 5 | 4 | 5 | 4 | 6 | 5 | 6 | 7 | 8 | 10 |
| 2012 | 9 | 8 | 7 | 7 | 7 | 5 | 5 | 4 | 7 | 7 | 6 | 8 |
| 2013 | 6 | 5 | 4 | 4 | 8 | 7 | 9 | | | | | |

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
July 2013

| Reason | Good Time | Not Good Time | Uncertain |
|----------------------------------|-----------|---------------|-----------|
| Economic Conditions | 3 | 30 | 14 |
| Sales Prospects | 3 | 4 | 2 |
| Fin. & Interest Rates | 1 | 1 | 1 |
| Cost of Expansion | 0 | 4 | 4 |
| Political Climate | 0 | 16 | 8 |
| Other/Not Available | 2 | 2 | 3 |

OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

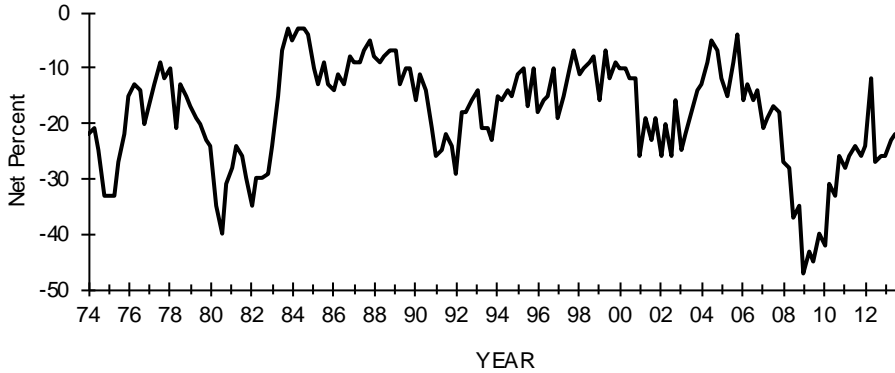
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2008 | -22 | -9 | -23 | -12 | -12 | -19 | -17 | 4 | 14 | -4 | -2 | -13 |
| 2009 | -12 | -21 | -22 | 2 | 12 | 7 | -3 | 10 | 8 | 11 | 3 | 2 |
| 2010 | 1 | -9 | -8 | 0 | 8 | -6 | -15 | -8 | -3 | 8 | 16 | 9 |
| 2011 | 10 | 9 | -5 | -8 | -5 | -11 | -15 | -26 | -22 | -16 | -12 | -8 |
| 2012 | -3 | -6 | -8 | -5 | -2 | -10 | -8 | -2 | 2 | 2 | -35 | -35 |
| 2013 | -30 | -28 | -28 | -15 | -5 | -4 | -6 | | | | | |



SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -30 | -34 |
| 2011 | -28 | -27 | -32 | -26 | -24 | -24 | -24 | -26 | -27 | -26 | -28 | -22 |
| 2012 | -24 | -19 | -23 | -12 | -15 | -22 | -27 | -28 | -27 | -26 | -32 | -29 |
| 2013 | -26 | -26 | -23 | -23 | -22 | -23 | -22 | | | | | |

MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
July 2013

| Reason | Current Month | One Year Ago | Two Years Ago |
|------------------------------|---------------|--------------|---------------|
| Sales Volume | 14 | 16 | 17 |
| Increased Costs* | 12 | 12 | 10 |
| Cut Selling Prices | 2 | 3 | 3 |
| Usual Seasonal Change | 4 | 3 | 3 |
| Other | 3 | 3 | 3 |

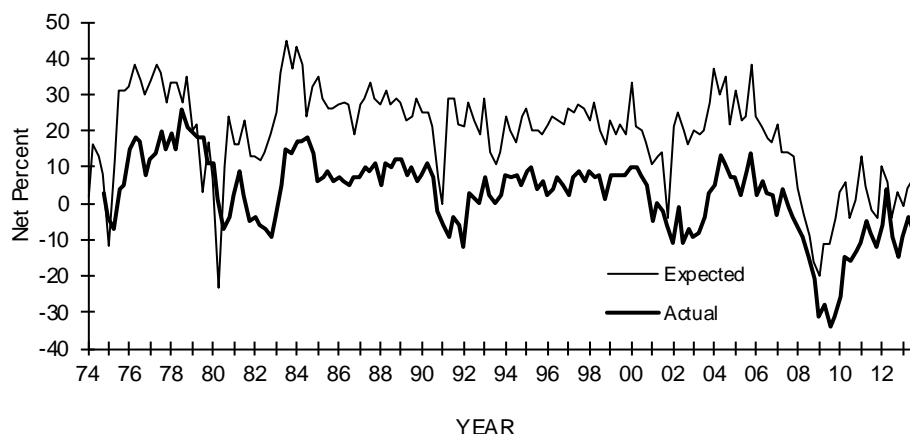
* Increased costs include labor, materials, finance, taxes, and regulatory costs.



SMALL BUSINESS SALES

SALES

Actual (Prior Three Months) and Expected (Subsequent Three Months)
January 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -15 | -16 |
| 2011 | -11 | -11 | -12 | -5 | -9 | -7 | -8 | -9 | -10 | -12 | -11 | -7 |
| 2012 | -6 | -7 | 1 | 4 | 2 | -5 | -9 | -13 | -13 | -15 | -15 | -10 |
| 2013 | -9 | -9 | -7 | -4 | -4 | -8 | -7 | | | | | |

SALES EXPECTATIONS

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

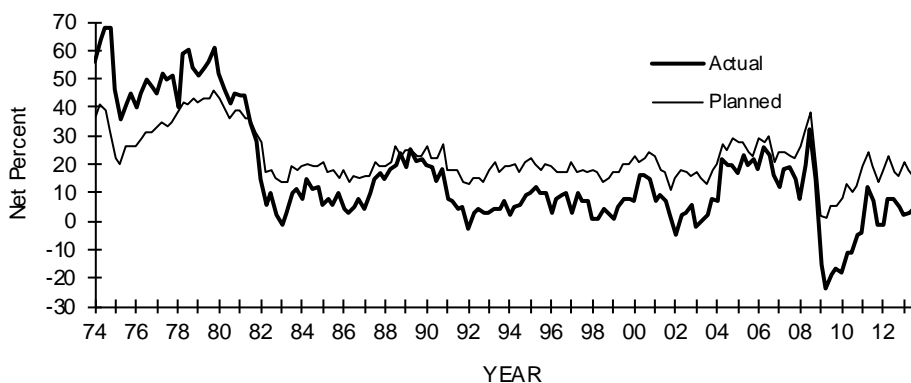
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2008 | 4 | 0 | -3 | -3 | -11 | -11 | -9 | -6 | -2 | -16 | -14 | -18 |
| 2009 | -20 | -29 | -31 | -11 | -5 | -10 | -11 | -5 | -6 | -4 | -2 | -1 |
| 2010 | 3 | 0 | -3 | 6 | 5 | -5 | -4 | 0 | -3 | 1 | 6 | 8 |
| 2011 | 13 | 14 | 6 | 5 | 3 | 0 | -2 | -12 | -6 | -4 | 4 | 9 |
| 2012 | 10 | 12 | 8 | 6 | 2 | -3 | -4 | 1 | 1 | 3 | -5 | -2 |
| 2013 | -1 | 1 | -4 | 4 | 8 | 5 | 7 | | | | | |



SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -4 | -5 |
| 2011 | -4 | 5 | 9 | 12 | 15 | 10 | 7 | 1 | 6 | -1 | 0 | 0 |
| 2012 | -1 | 1 | 6 | 8 | 3 | 3 | 8 | 9 | 6 | 5 | 0 | 0 |
| 2013 | 2 | 2 | -1 | 3 | 2 | 8 | 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 13 | 15 |
| 2011 | 19 | 21 | 24 | 24 | 23 | 15 | 19 | 16 | 14 | 14 | 15 | 14 |
| 2012 | 17 | 19 | 21 | 23 | 17 | 16 | 17 | 17 | 19 | 16 | 16 | 16 |
| 2013 | 21 | 23 | 17 | 18 | 15 | 18 | 15 | | | | | |



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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -2 | -1 |
| 2011 | -4 | -2 | -4 | -6 | -3 | -7 | -2 | -2 | -5 | 0 | 2 | 1 |
| 2012 | 0 | -2 | -3 | -4 | -5 | -3 | 1 | 2 | -3 | 1 | | |
| 2013 | 2 | -2 | -2 | -2 | -3 | -1 | -1 | | | | | |

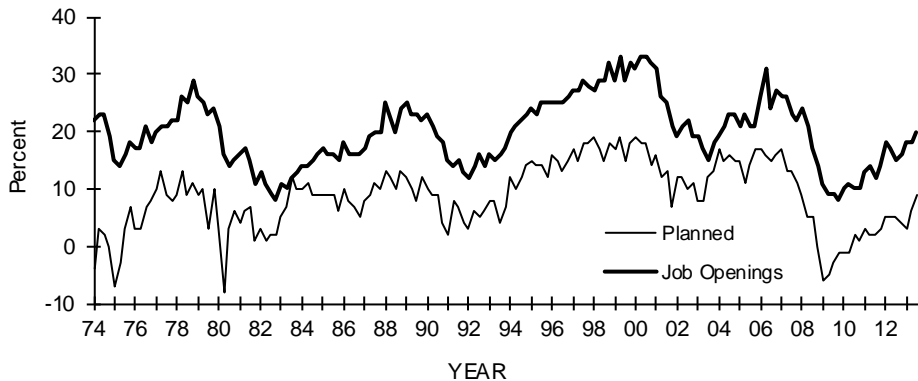
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 27 | 28 |
| 2011 | 28 | 30 | 29 | 32 | 30 | 33 | 31 | 33 | 34 | 31 | 35 | 34 |
| 2012 | 31 | 31 | 32 | 34 | 37 | 33 | 38 | 37 | 41 | 38 | 36 | 33 |
| 2013 | 34 | 34 | 36 | 38 | 38 | 41 | 40 | | | | | |

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 9 | 13 |
| 2011 | 13 | 15 | 15 | 14 | 12 | 15 | 12 | 15 | 14 | 14 | 16 | 15 |
| 2012 | 18 | 17 | 15 | 17 | 20 | 15 | 15 | 18 | 17 | 16 | 17 | 16 |
| 2013 | 18 | 21 | 18 | 18 | 19 | 19 | 20 | | | | | |

HIRING PLANS

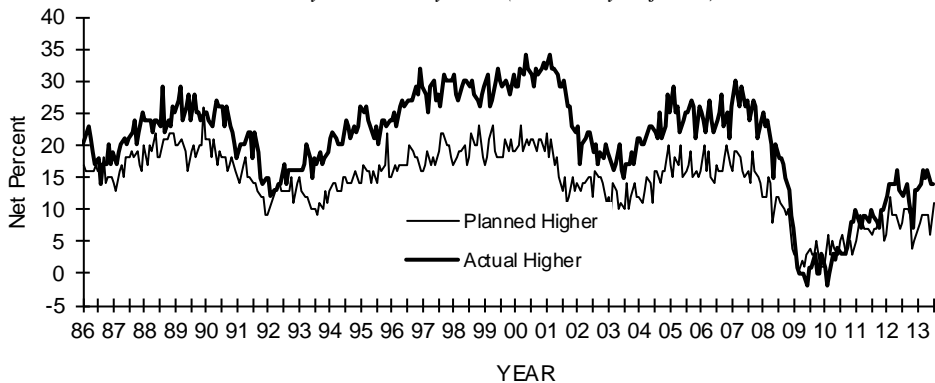
Net Percent (“Increase” Minus “Decrease”) in the Next Three Months
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 4 | 6 |
| 2011 | 3 | 5 | 2 | 2 | -1 | 3 | 2 | 5 | 4 | 3 | 7 | 6 |
| 2012 | 5 | 4 | 0 | 5 | 6 | 3 | 5 | 10 | 4 | 4 | 5 | 1 |
| 2013 | 3 | 4 | 0 | 6 | 5 | 7 | 9 | | | | | |

SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 8 | 7 | 9 | 9 | 8 | 10 | 9 | 8 | 7 | 10 | 10 |
| 2012 | 12 | 14 | 14 | 14 | 16 | 13 | 12 | 13 | 14 | 11 | 7 | 13 |
| 2013 | 13 | 14 | 16 | 15 | 16 | 14 | 14 | | | | | |

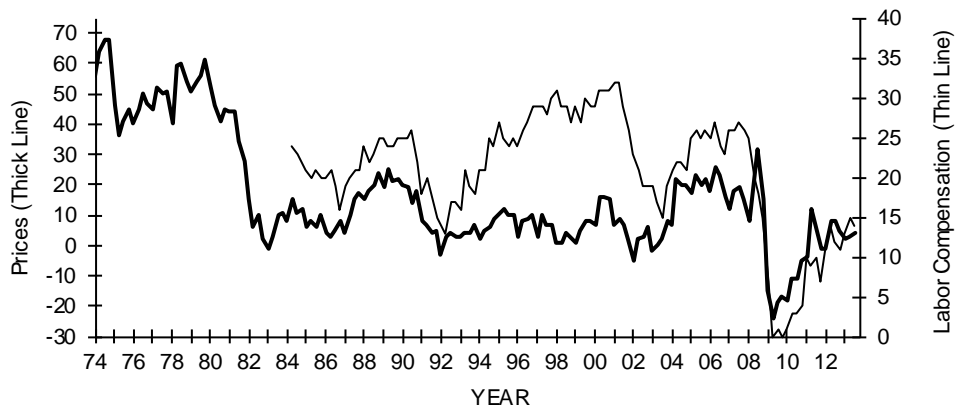
COMPENSATION PLANS

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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 7 | 9 | 7 | 7 | 7 | 6 | 7 | 7 | 8 | 9 | 5 |
| 2012 | 6 | 12 | 9 | 9 | 9 | 7 | 8 | 10 | 10 | 9 | 4 | 5 |
| 2013 | 7 | 8 | 9 | 9 | 9 | 6 | 11 | | | | | |

PRICES AND LABOR COMPENSATION

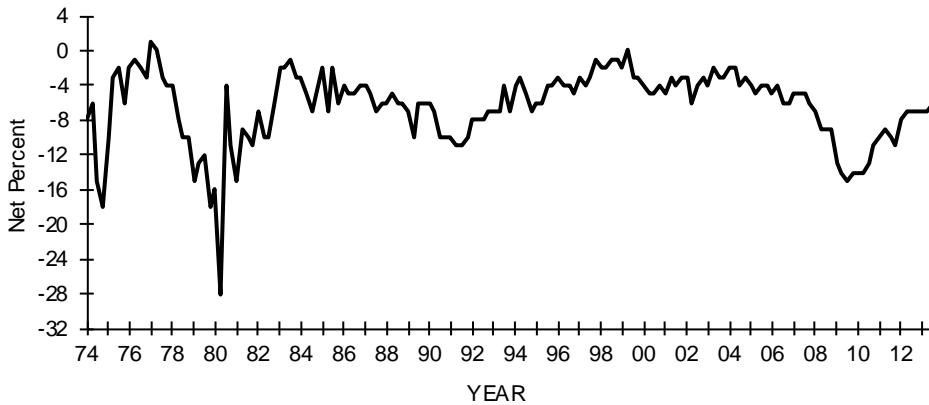
Net Percent Price Increase and Net Percent Compensation Increase
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 28 | 30 |
| 2011 | 31 | 31 | 29 | 32 | 29 | 29 | 30 | 32 | 31 | 30 | 34 | 31 |
| 2012 | 32 | 32 | 31 | 32 | 32 | 29 | 31 | 30 | 31 | 30 | 30 | 29 |
| 2013 | 31 | 29 | 30 | 31 | 29 | 29 | 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -11 | -12 |
| 2011 | -10 | -11 | -8 | -9 | -10 | -9 | -10 | -13 | -10 | -11 | -10 | -8 |
| 2012 | -8 | -8 | -11 | -7 | -9 | -7 | -7 | -7 | -6 | -7 | -9 | -9 |
| 2013 | -7 | -7 | -4 | -7 | -5 | -6 | -6 | | | | | |

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 |
|-------------|-------|------|-------|------|------|-------|-------|------|-------|------|-------|------|
| 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 | 25/9 | 28/9 |
| 2011 | 28/8 | 29/8 | 28/7 | 28/8 | 28/8 | 25/9 | 28/8 | 28/7 | 29/8 | 28/9 | 30/7 | 29/7 |
| 2012 | 30/7 | 31/7 | 27/8 | 31/8 | 29/9 | 29/7 | 30/7 | 31/7 | 32/8 | 28/8 | 28/6 | 29/6 |
| 2013 | 31/6 | 29/7 | 29/7 | 31/6 | 28/5 | 29/5 | 30/5 | | | | | |

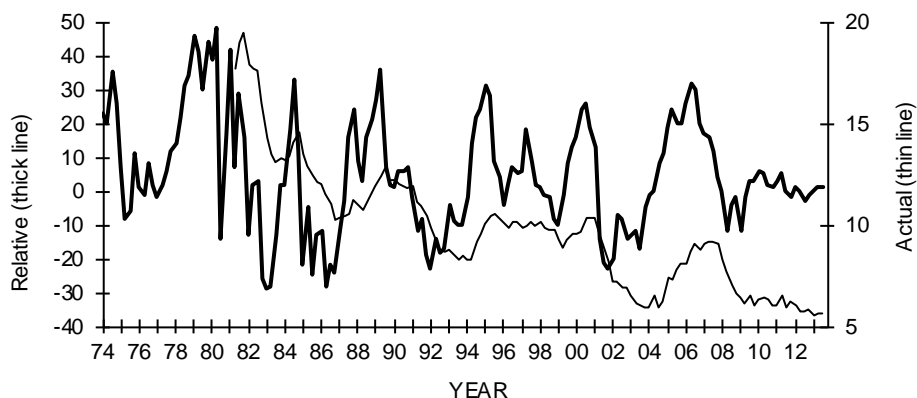
EXPECTED CREDIT CONDITIONS

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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -10 | -11 |
| 2011 | -10 | -10 | -9 | -13 | -11 | -10 | -11 | -13 | -12 | -11 | -10 | -9 |
| 2012 | -9 | -10 | -11 | -8 | -10 | -8 | -7 | -9 | -7 | -8 | -10 | -11 |
| 2013 | -9 | -8 | -6 | -8 | -6 | -7 | -8 | | | | | |

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 6 | 5 | 5 | 3 | 0 | 0 | 1 | 1 | -2 | -1 | -3 |
| 2012 | 1 | 2 | 3 | 0 | -1 | -5 | -3 | -2 | 0 | -1 | 2 | -2 |
| 2013 | 0 | 2 | 3 | 1 | -1 | -3 | 1 | | | | | |

*Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

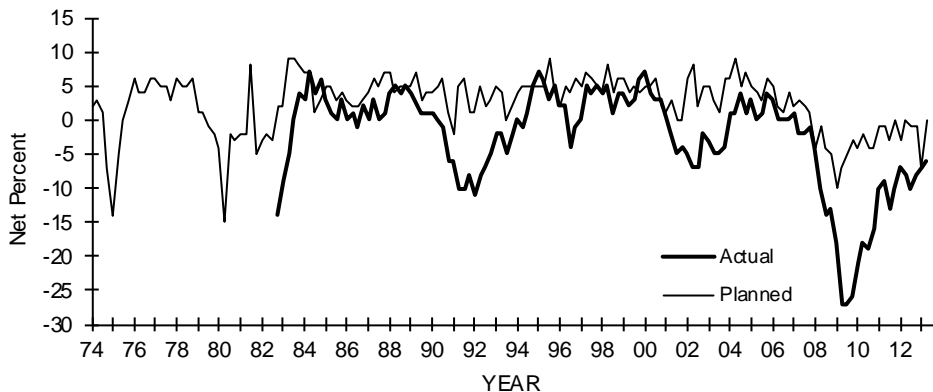
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2008 | 8.3 | 8.1 | 8.3 | 7.7 | 6.9 | 7.1 | 7.0 | 6.9 | 7.1 | 6.6 | 7.0 | 6.6 |
| 2009 | 6.4 | 6.2 | 6.2 | 6.1 | 6.3 | 6.5 | 6.5 | 6.1 | 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 | 6.0 | 5.9 | 6.5 | 6.0 | 6.0 | 5.9 | 6.1 | 6.1 | 6.2 | 5.7 | 6.2 |
| 2012 | 6.0 | 5.8 | 5.7 | 5.7 | 5.5 | 6.3 | 5.7 | 5.7 | 5.7 | 5.8 | 5.7 | 5.6 |
| 2013 | 5.5 | 5.3 | 5.4 | 5.6 | 5.7 | 5.2 | 5.6 | | | | | |



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January Quarter 1974 to July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | -8 | -7 | -9 | -13 | -14 | -13 | -9 | -11 | -10 | -10 | -10 |
| 2012 | -7 | 0 | -9 | -8 | -8 | -7 | -10 | -7 | -8 | -8 | -10 | -10 |
| 2013 | -7 | -9 | -6 | -6 | -7 | -7 | -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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 2 | -1 | 1 | -1 | -1 | 0 | 1 | -1 | 0 | -1 | 0 |
| 2012 | 1 | 2 | 3 | 0 | 0 | 0 | 0 | 0 | -1 | 0 | -2 | 0 |
| 2013 | -1 | 1 | -1 | -1 | 1 | -2 | -1 | | | | | |

INVENTORY PLANS

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

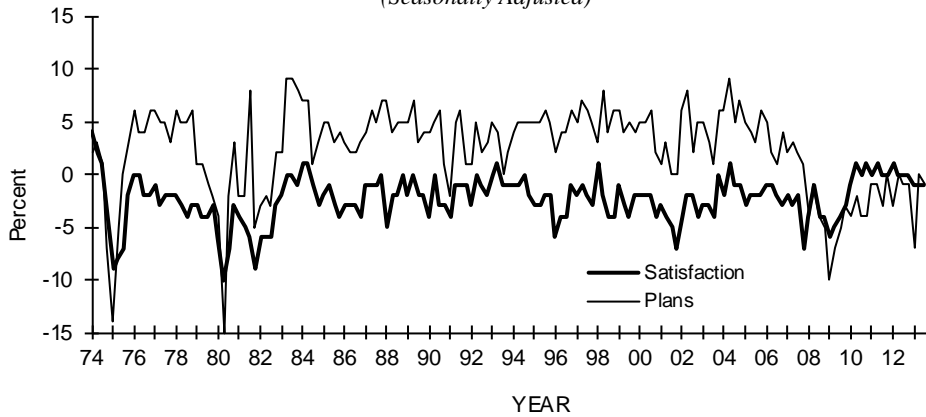
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2008 | -4 | -2 | -2 | -1 | -4 | -5 | -4 | -9 | -3 | -5 | -6 | -4 |
| 2009 | -10 | -10 | -13 | -7 | -3 | -6 | -5 | -7 | -6 | -3 | -3 | -8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



SMALL BUSINESS CAPITAL OUTLAYS

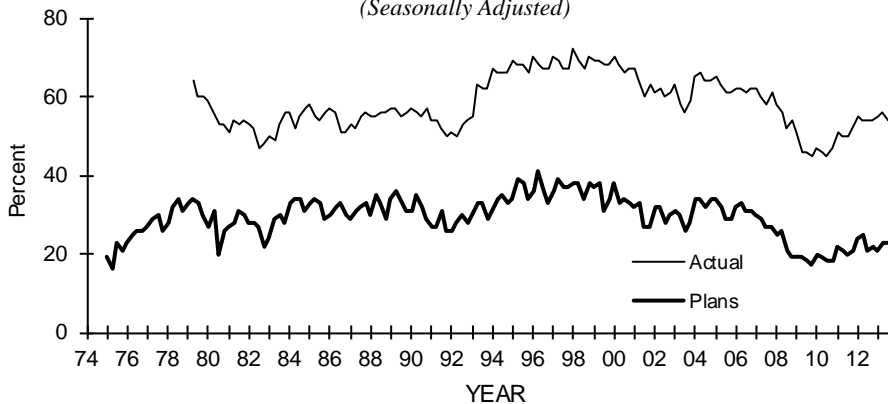
INVENTORY SATISFACTION AND INVENTORY PLANS

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 July 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 51 | 47 |
| 2011 | 51 | 49 | 51 | 50 | 50 | 50 | 50 | 52 | 50 | 52 | 53 | 56 |
| 2012 | 55 | 57 | 52 | 54 | 55 | 52 | 54 | 55 | 51 | 54 | 53 | 52 |
| 2013 | 55 | 56 | 57 | 56 | 57 | 56 | 54 | | | | | |



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 | 21 | 19 | 17 |
| Equipment | 37 | 38 | 36 |
| Furniture or Fixtures | 10 | 10 | 10 |
| Add. Bldgs. or Land | 5 | 6 | 5 |
| Improved Bldgs. or Land | 13 | 14 | 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 |
|----------------------|---------|--------------|---------------|
| \$1 to \$999 | 3 | 5 | 4 |
| \$1,000 to \$4,999 | 8 | 8 | 9 |
| \$5,000 to \$9,999 | 6 | 6 | 6 |
| \$10,000 to \$49,999 | 18 | 18 | 15 |
| \$50,000 to \$99,999 | 8 | 7 | 7 |
| \$100,000 + | 10 | 10 | 8 |
| No Answer | 1 | 0 | 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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 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 | 22 | 24 | 21 | 20 | 21 | 20 | 21 | 20 | 21 | 24 | 24 |
| 2012 | 24 | 23 | 22 | 25 | 24 | 21 | 21 | 24 | 21 | 22 | 19 | 20 |
| 2013 | 21 | 25 | 25 | 23 | 23 | 23 | 23 | | | | | |



SINGLE MOST IMPORTANT PROBLEM

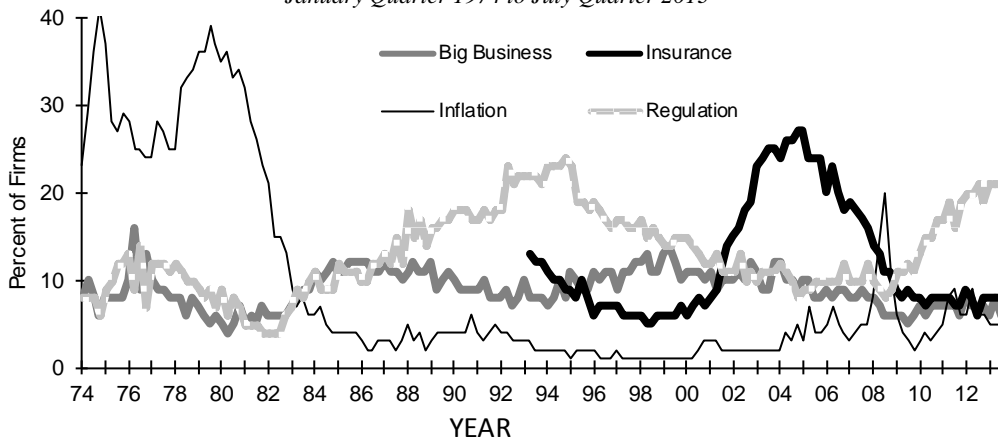
SINGLE MOST IMPORTANT PROBLEM

July 2013

| Problem | Current | One Year Ago | Survey High | Survey Low |
|-----------------------------------|---------|--------------|-------------|------------|
| Taxes | 21 | 21 | 32 | 8 |
| Inflation | 5 | 6 | 41 | 0 |
| Poor Sales | 16 | 20 | 33 | 2 |
| Fin. & Interest Rates | 3 | 3 | 37 | 2 |
| Cost of Labor | 5 | 4 | 9 | 2 |
| Govt. Regs. & Red Tape | 21 | 21 | 27 | 4 |
| Comp. From Large Bus. | 6 | 7 | 14 | 4 |
| Quality of Labor | 7 | 7 | 23 | 3 |
| Cost/Avail. of Insurance | 8 | 6 | 29 | 4 |
| Other | 8 | 5 | 31 | 2 |

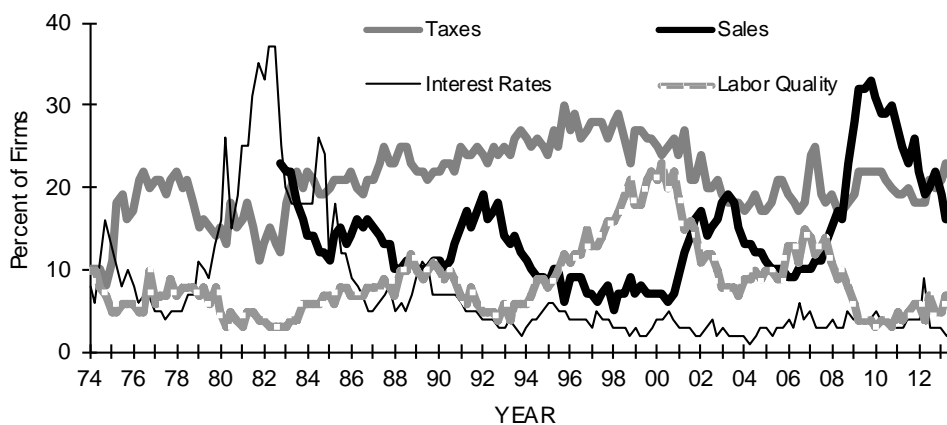
SELECTED SINGLE MOST IMPORTANT PROBLEM

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



SELECTED SINGLE MOST IMPORTANT PROBLEM

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



SURVEY PROFILE

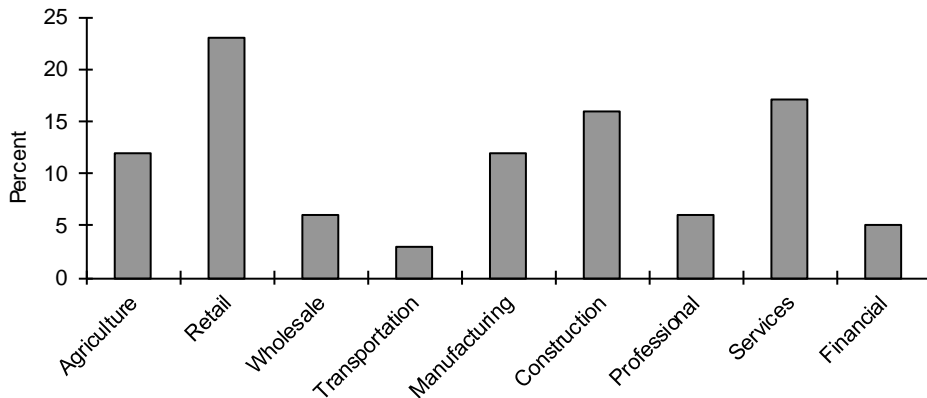
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|
| 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 | 807 | 804 |
| 2011 | 2144 | 774 | 811 | 1985 | 733 | 766 | 1817 | 926 | 729 | 2077 | 781 | 735 |
| 2012 | 2155 | 819 | 757 | 1817 | 681 | 740 | 1803 | 736 | 691 | 2029 | 733 | 648 |
| 2013 | 2033 | 870 | 759 | 1873 | 715 | 662 | 1615 | | | | | |

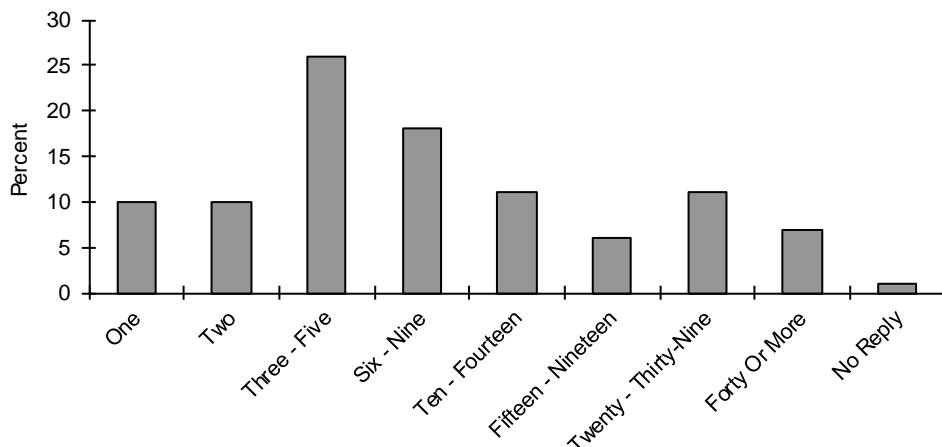
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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 |



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

