



# NFIB SMALL BUSINESS ECONOMIC TRENDS

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January 2012

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	6%	-1	-5%
Plans to Make Capital Outlays	24%	0	0%
Plans to Increase Inventories	2%	2	10%
Expect Economy to Improve	-8%	4	20%
Expect Real Sales Higher	9%	5	27%
Current Inventory	0%	1	5%
Current Job Openings	15%	-1	-5%
Expected Credit Conditions	-9%	1	5%
Now a Good Time to Expand	10%	2	10%
Earnings Trend	-22%	6	33%
Total Change		19	100%

Column 1 is the current reading; column 2 is the change from the prior month; column 3 the percent of the total change accounted for by each component; \* is under 1 percent and not a meaningful calculation.

# NFIB SMALL BUSINESS ECONOMIC TRENDS

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*The NFIB Research Foundation has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986. The sample is drawn from the membership files of the National Federation of Independent Business (NFIB). Each was mailed a questionnaire and one reminder. Subscriptions for twelve monthly SBET issues are \$250. Historical and unadjusted data are available, along with a copy of the questionnaire, from the NFIB Research Foundation. You may reproduce Small Business Economic Trends items if you cite the publication name and date and note it is a copyright of the NFIB Research Foundation. © NFIB Research Foundation. ISBS #0940791-24-2. Chief Economist William C. Dunkelberg and Policy Analyst Holly Wade are responsible for the report.*

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# SUMMARY

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## OPTIMISM INDEX

The Index of Small Business Optimism gained 1.8 points to 93.8. December's increase is the fourth monthly gain, totaling 5.7 points overall. About half of last month's gain was due to reduced concerns about business conditions 6 months ahead and improved expectations for real sales gains. One-third of the gain was due to a much welcomed 6 point improvement in profit trends.

## LABOR MARKETS

Fifteen (15) percent (seasonally adjusted) reported hard to fill job openings, down 1 point but the second highest reading in 39 months. Over the next three months, 9 percent plan to increase employment (down 2 points), and 8 percent plan to reduce their workforce (down 3 points), yielding a seasonally adjusted net 6 percent of owners planning to create new jobs. This is a 1 point decline from November but still one of the strongest readings for 2011 and the second highest reading since September 2008. Forty-five (45) percent of owners hired or tried to hire in the past 3 months, but 34 percent of them reported few or no qualified applicants for the position(s). The NFIB unemployment forecast models (based on reports of poor sales or on job openings and plans to increase employment shown below) indicates that the unemployment rate will drift into the mid to low 8 percent range in 2012.

## CAPITAL SPENDING

The frequency of reported capital outlays over the past 6 months rose 3 points to 56 percent, the third monthly increase in succession after vacillating between 44 and 52 percent since December 2008. The record low of 44 percent was reached most recently in August 2010. Overall, the spending picture has improved, but still far short of "normal." The percent of owners planning capital outlays in the next 3 to 6 months held at 24 percent, the highest reading in 40 months, also reached in March and November of this year. Money is available, but most owners are not interested in a loan to finance the purchase of equipment they don't need.

## INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales over the past 3 months gained 4 points, rising to a net negative 7 percent, still more firms report sales trending down than up. The net percent of owners expecting higher real sales gained 5 points to a net 9 percent of all owners (seasonally adjusted) after posting an 8 point improvement in November, but still stood 4 points below January's reading. A net negative 10 percent of all owners reported growth in inventories (seasonally adjusted), unchanged. For all firms, a net 0 percent (up 1 point) reported stocks too low, still a very "satisfied" reading based on survey history. Overall, it appears that small business owners have reduced inventories to acceptable levels given the outlook for sales growth.

This survey was conducted in December 2011. A sample of 3,938 small-business owners/members was drawn. Seven hundred thirty-five (735) usable responses were received – a response rate of 19 percent.



## INFLATION

Seasonally adjusted, the net percent raising selling prices was 0 percent, unchanged from November but 10 to 15 points below April, May and June readings. This indicates little pressure on prices overall. Twenty-one (21) percent plan on raising average prices in the next few months, 4 percent plan reductions. Seasonally adjusted, a net 14 percent plan price hikes, down 1 point. With some evidence that spending has picked up, some of these price hikes might stick.

## EARNINGS AND WAGES

Reports of positive earnings trends were 6 points better in December at a net negative 22 percent of all owners. The improvement in retail sales gave some owners a needed boost. Not seasonally adjusted, 16 percent reported profits higher (up 2 points), and 37 percent reported profits falling (down 3 points). Still, profits showed a dismal performance historically. Compensation costs are rising, but not at a rapid rate. Six percent reported reduced worker compensation and 12 percent reported raising compensation, yielding a seasonally adjusted net 10 percent reporting higher worker compensation, unchanged from November and matching the highest reading since November 2008. However, the numbers are historically low. A seasonally adjusted net 5 percent plan to raise compensation in the coming months, 4 points lower than November, no rush to raise compensation to attract workers.

## CREDIT MARKETS

Four percent reported financing as their #1 business problem, not an issue compared to weakness in sales or taxes or the cost of regulation. Ninety-three (93) percent reported that all their credit needs were met or that they were not interested in borrowing. Seven percent reported that not all of their credit needs were satisfied. The record low is 4 percent, reached in 2000. Fifty (50) percent said they did not want a loan but increases to 64 percent when including those who did not answer the question, presumably uninterested in borrowing as well. Twenty-three (23) percent of the owners reported that weak sales continued to be their top business problem, so investments in new equipment or new workers are not likely to “pay off” by generating enough additional earnings to repay the loan required to finance the investment. Thirty-one (31) percent of all owners reported borrowing on a regular basis, down 3 points. A net 8 percent reported loans “harder to get” compared to their last attempt (asked of regular borrowers only), down 2 points. The average rate paid on short maturity loans fell to 5.9 percent. The net percent of owners expecting credit conditions to ease in the coming months was a seasonally adjusted negative 9 percent (more owners expect that it will be “harder” to arrange financing than easier), a 1 point improvement over November. The December reading is the least negative since November 2008, so confidence in the financial markets ability to provide desired financial services may be recovering.



# COMMENTARY

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From the perspective of NFIB owners, 2011 was a flat year at best. The Index of Small Business Optimism stood at 94.1 in January and ended the year at 93.9, after dipping as low as 88.1 in August. The best that can be said is that the year ended on an upbeat, with 4 months of improvements. Eight of the ten Index components did end the year higher, the spoilers were Expected Business Conditions in 6 Months, which ended the year 18 points below January readings, and Expected Real Sales Volumes which ended 4 points lower. So, an index that excluded these expectations variables would have ended the year a bit higher.

The “real” components of the Index ended 2011 relatively well positioned compared to January, but at historically low levels nonetheless.

	Net Percent of Firms	
	January	December
Job Creation Plans	3	6
Job Openings (hard to fill)	13	15
Capital Spending Plans	22	24
Inventory Satisfaction	0	0
Plan to Increase Inventory	-1	2

Reports of actually capital outlays increased from 51 percent to 56 percent of all owners after languishing for several years at or below 50 percent.

There are many critics of the proposition that “uncertainty” is a major cause of the slow recovery, many because it reflects badly on the Administration’s policies (which are characterized as “bad” by a 50 year record high percentage of consumers). However, such a “reality” is very logical, and is now confirmed by substantial survey evidence (if common sense wasn’t enough!). Plans for job creation, inventory investment and capital spending are all highly correlated with expected real sales (around 70 percent). Pessimism about future sales translates into less real spending.

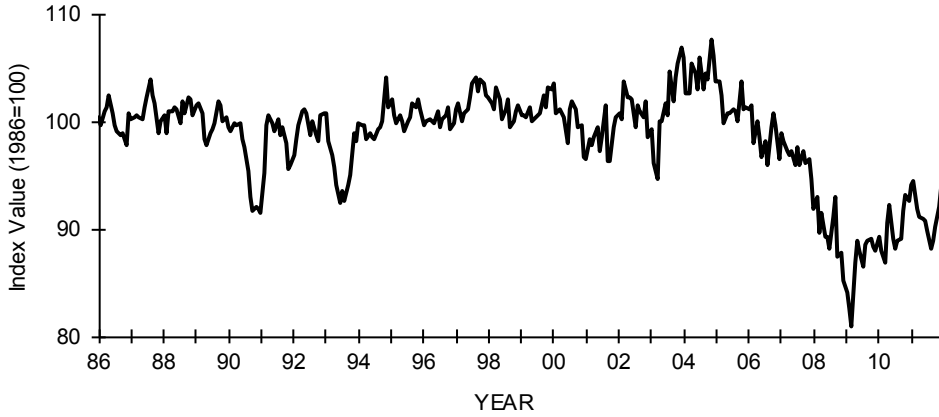
The economy appears to be slowly recovering, resolving imbalances in debt, housing and the like. But, it is unlikely that growth will be much better in 2012 than in 2011 even with a solid 3 percent plus fourth quarter. There is still a lot of work to be done.



# OVERVIEW - SMALL BUSINESS OPTIMISM

## OPTIMISM INDEX

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



## OPTIMISM INDEX

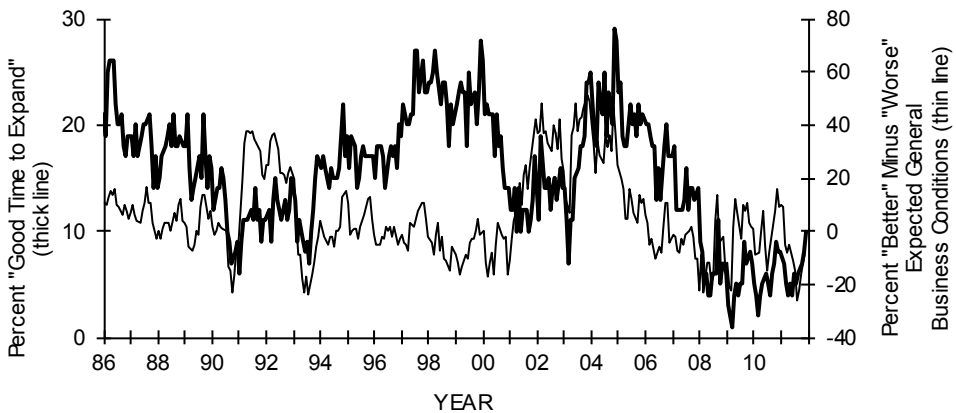
Based on Ten Survey Indicators  
(Seasonally Adjusted 1986=100)

	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	87.9	86.5	88.6	88.8	89.1	88.3	88.0
<b>2010</b>	89.3	88.0	86.8	90.6	92.2	89.0	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

## SMALL BUSINESS OUTLOOK

### OUTLOOK

Good Time to Expand and Expected General Business Conditions  
January 1986 to December 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	7	5	4	5	4	6	5	6	7	8	10

### MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook  
December 2011

Reason	Good Time	Not Good Time	Uncertain
<b>Economic Conditions</b>	2	42	15
<b>Sales Prospects</b>	2	4	1
<b>Fin. &amp; Interest Rates</b>	1	1	1
<b>Cost of Expansion</b>	0	3	1
<b>Political Climate</b>	0	15	6
<b>Other/Not Available</b>	2	1	1

### OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

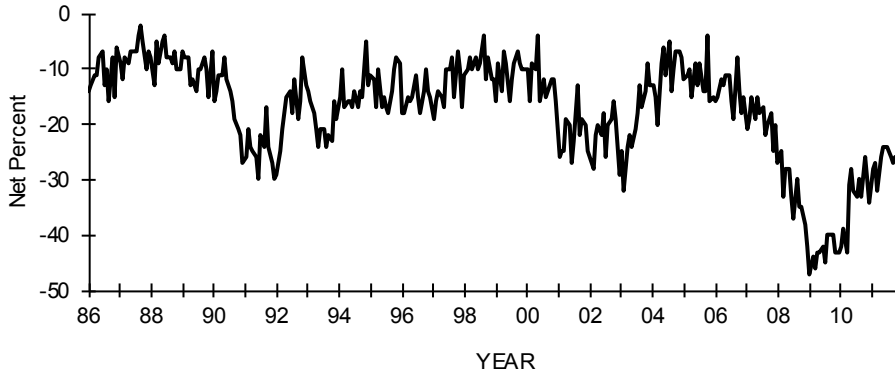
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	6	3	-5	-3	-10	-8	-6	-8	2	11	11	-4
<b>2007</b>	-1	-2	-7	-8	-3	-5	-1	0	2	-2	-10	-10
<b>2008</b>	-22	-9	-23	-12	-12	-19	-17	4	14	-4	-2	-13
<b>2009</b>	-12	-21	-22	2	12	7	-3	10	8	11	3	2
<b>2010</b>	1	-9	-8	0	8	-6	-15	-8	-3	8	16	9
<b>2011</b>	10	9	-5	-8	-5	-11	-15	-26	-22	-16	-12	-8



# SMALL BUSINESS EARNINGS

## EARNINGS

Actual Last Three Months  
January 1986 to December 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	-27	-32	-26	-24	-24	-24	-26	-27	-26	-28	-22

## MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason  
December 2011

	Current Month	One Year Ago	Two Years Ago
<b>Sales Volume</b>	16	35	27
<b>Increased Costs*</b>	12	8	13
<b>Cut Selling Prices</b>	2	3	4
<b>Usual Seasonal Change</b>	4	3	5
<b>Other</b>	3	6	4

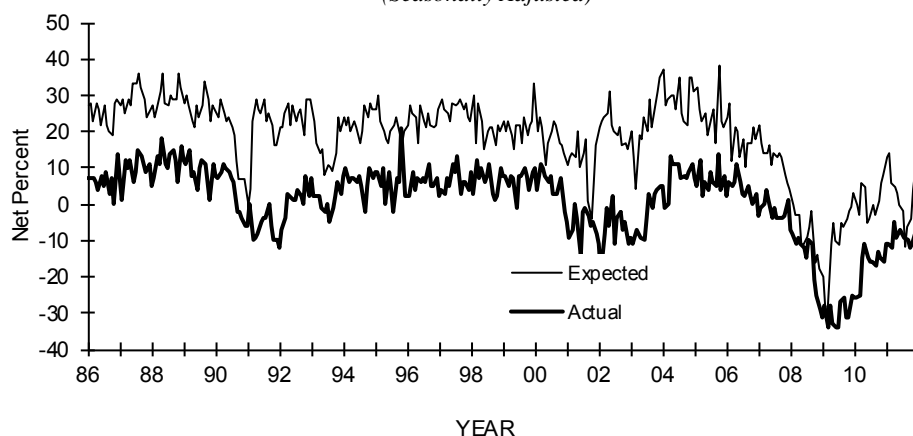
\* Increased costs include labor, materials, finance, taxes, and regulatory costs.



# SMALL BUSINESS SALES

## SALES

Actual (Prior Three Months) and Expected (Next Three Months)  
 January 1986 to December 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	-11	-12	-5	-9	-7	-8	-9	-10	-12	-11	-7



## SALES EXPECTATIONS

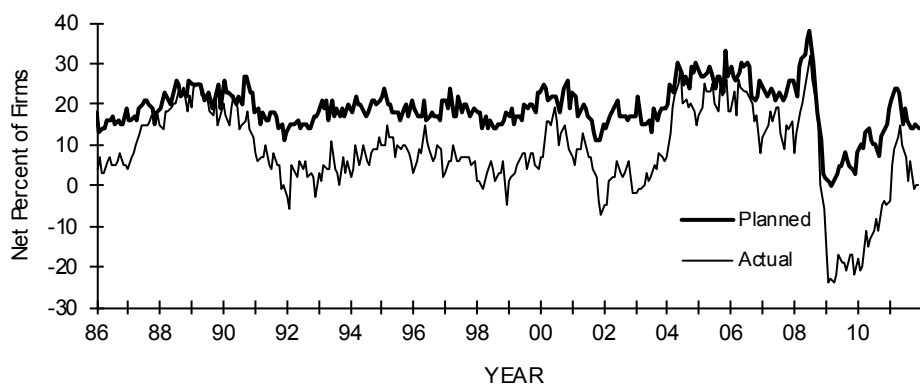
Net Percent (“Higher” Minus “Lower”) During Next Three Months  
 (Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<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	14	6	5	3	0	-2	-12	-6	-4	4	9

# SMALL BUSINESS PRICES

## PRICES

Actual Last Three Months and Planned Next Three Months  
 January 1986 to December 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	5	9	12	15	10	7	1	6	-1	0	0

## 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	21	24	24	23	15	19	16	14	14	15	14



# 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	-2	-4	-6	-3	-7	-2	-2	-5	0	2	1

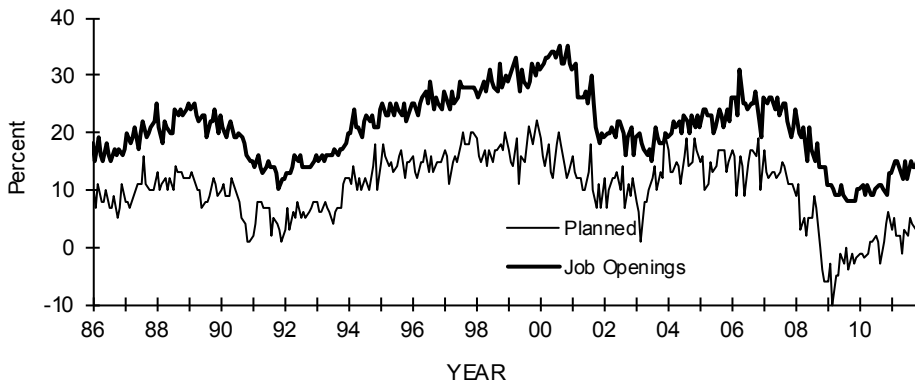
## QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<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	30	29	32	30	33	31	33	34	31	35	34

## EMPLOYMENT

Planned Next Three Months and Current Job Openings  
January 1986 to December 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	15	15	14	12	15	12	15	14	14	16	15

## HIRING PLANS

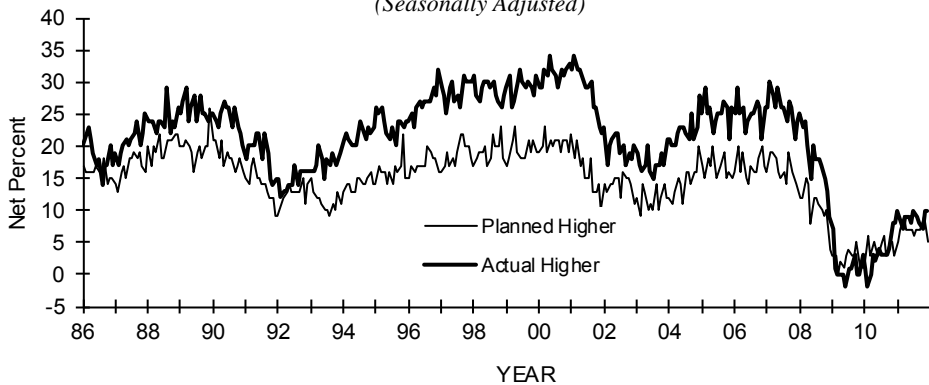
Net Percent ("Increase" Minus "Decrease") in the Next Three Months  
(Seasonally Adjusted)

	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	5	2	2	-1	3	2	5	4	3	7	6

## SMALL BUSINESS COMPENSATION

### COMPENSATION

Actual Last Three Months and Planned Next Three Months  
January 1986 to December 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
<b>2006</b>	25	24	22	27	24	22	24	25	28	23	25	21
<b>2007</b>	26	30	28	26	29	26	27	24	27	26	21	24
<b>2008</b>	25	23	24	20	15	20	18	18	17	15	13	9
<b>2009</b>	7	1	0	0	0	-2	1	1	3	0	0	3
<b>2010</b>	1	-2	0	3	2	4	3	3	3	4	8	8
<b>2011</b>	10	8	7	9	9	8	10	9	8	7	10	10

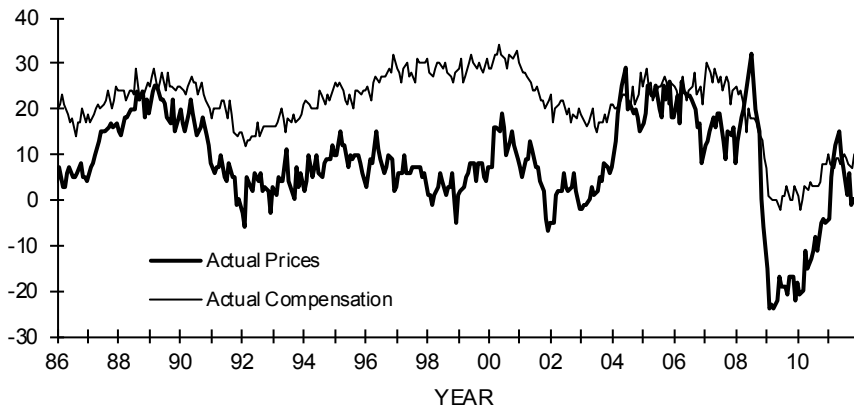
### COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	16	20	16	19	15	14	17	16	16	18	20	17
<b>2007</b>	16	19	19	18	16	15	16	14	19	16	15	14
<b>2008</b>	12	12	15	14	8	12	12	11	10	9	10	4
<b>2009</b>	3	3	0	2	1	3	4	3	3	5	1	1
<b>2010</b>	1	6	3	5	4	3	5	6	3	5	5	3
<b>2011</b>	5	7	9	7	7	7	6	7	7	8	9	5

### PRICES AND LABOR COMPENSATION

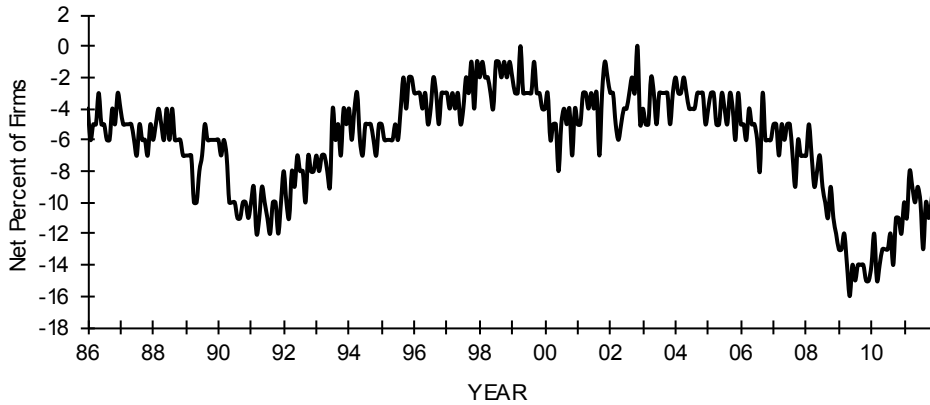
Net Percent Price Increase and Net Percent Compensation  
(Seasonally Adjusted)



# SMALL BUSINESS CREDIT CONDITIONS

## CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago\*  
January 1986 to December 2011



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

## REGULAR BORROWERS

Percent Borrowing at Least Once Every Three Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	37	38	36	40	38	41	38	46	35	37	38	35
<b>2007</b>	37	39	35	37	38	35	36	35	36	36	32	34
<b>2008</b>	36	34	33	36	35	35	34	34	32	33	31	33
<b>2009</b>	35	36	33	33	34	30	33	32	33	33	33	33
<b>2010</b>	32	34	35	31	32	29	32	31	33	31	28	30
<b>2011</b>	31	31	29	32	29	29	30	32	31	30	34	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>2006</b>	-5	-5	-6	-4	-5	-5	-6	-8	-3	-6	-6	-6
<b>2007</b>	-5	-5	-7	-5	-6	-5	-5	-7	-9	-6	-7	-7
<b>2008</b>	-7	-5	-7	-9	-8	-7	-9	-10	-11	-9	-11	-12
<b>2009</b>	-13	-13	-12	-14	-16	-14	-15	-14	-14	-14	-15	-15
<b>2010</b>	-14	-12	-15	-14	-13	-13	-13	-12	-14	-11	-11	-12
<b>2011</b>	-10	-11	-8	-9	-10	-9	-10	-13	-10	-11	-10	-8

## SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)

### BORROWING NEEDS SATISFIED

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>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	29/8	28/7	28/8	28/8	25/9	28/8	28/7	29/8	28/9	30/7	29/7

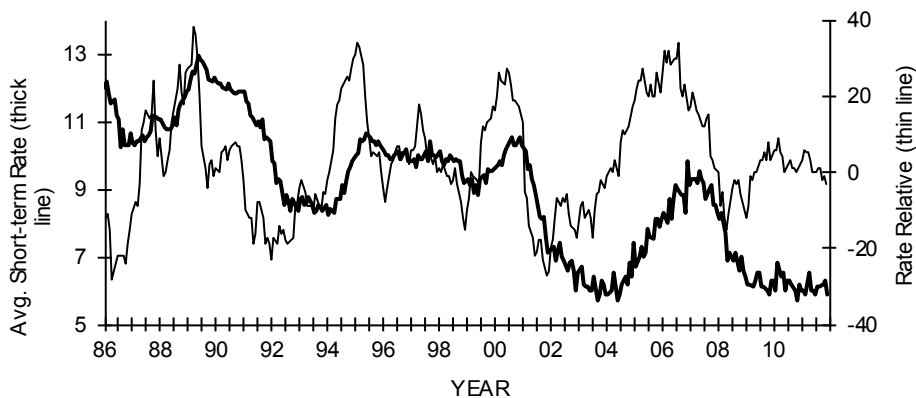
### EXPECTED CREDIT CONDITIONS

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	-10	-9	-13	-11	-10	-11	-13	-12	-11	-10	-9

### INTEREST RATES

Relative Rates and Actual Rates Last Three Months  
January 1986 to December 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
<b>2006</b>	26	32	29	32	28	30	30	34	22	20	23	16
<b>2007</b>	17	21	19	16	15	12	12	14	15	4	3	1
<b>2008</b>	0	-9	-5	-12	-15	-11	-4	-2	-3	-2	-6	-8
<b>2009</b>	-12	-9	-1	-2	0	0	3	3	5	3	8	3
<b>2010</b>	6	6	9	5	4	0	2	3	1	1	0	1
<b>2011</b>	3	6	5	5	3	0	0	1	1	-2	-1	-3

*Borrowing at Least Once Every Three Months.*

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

Average Interest Rate Paid

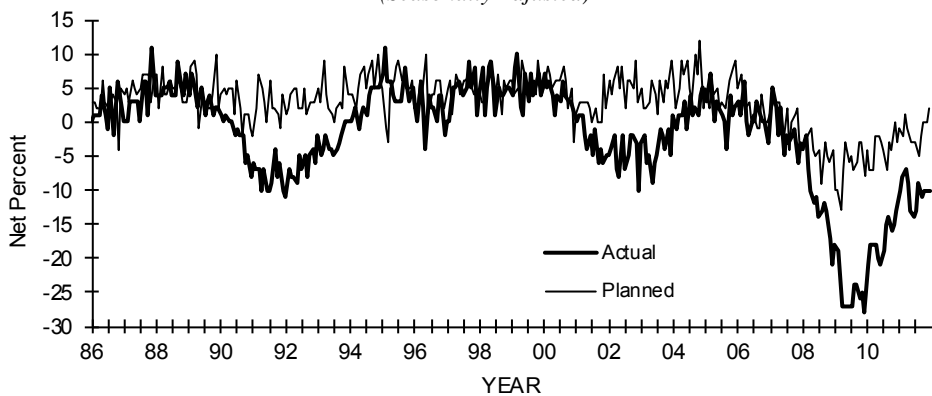
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	8.1	8.3	8.0	8.7	8.1	8.7	9.1	9.0	8.8	8.8	8.3	9.8
<b>2007</b>	9.1	9.3	9.3	9.2	9.5	9.3	9.2	8.7	9.0	9.1	8.5	8.5
<b>2008</b>	8.3	8.1	8.3	7.7	6.9	7.1	7.0	6.9	7.1	6.6	7.0	6.6
<b>2009</b>	6.4	6.2	6.2	6.1	6.3	6.5	6.5	6.1	6.1	6.0	5.9	6.3
<b>2010</b>	6.3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



## SMALL BUSINESS INVENTORIES

### INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)  
January 1986 to December 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
<b>2006</b>	3	1	6	0	-2	0	0	3	1	0	0	-3
<b>2007</b>	1	5	2	-2	2	-5	-2	-3	-2	-1	-6	-3
<b>2008</b>	-4	-2	-7	-10	-12	-11	-14	-13	-12	-13	-17	-21
<b>2009</b>	-18	-19	-23	-27	-27	-27	-27	-24	-24	-26	-25	-28
<b>2010</b>	-21	-18	-18	-18	-20	-21	-19	-15	-14	-16	-15	-13
<b>2011</b>	-10	-8	-7	-9	-13	-14	-13	-9	-11	-10	-10	-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
<b>2006</b>	-1	-2	0	-1	-1	-1	-2	-6	-6	-3	-6	-7
<b>2007</b>	-2	-2	-5	-3	-6	-7	-2	-2	-3	-7	-3	-3
<b>2008</b>	-4	-4	-1	-1	-3	-1	-4	-3	-1	-4	-4	-7
<b>2009</b>	-6	-5	-4	-5	-2	-5	-4	-4	0	-3	-2	-4
<b>2010</b>	-1	-1	-1	1	0	-1	0	-1	-2	1	-3	-3
<b>2011</b>	0	2	-1	1	-1	-1	0	1	-1	0	-1	0

### INVENTORY PLANS

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

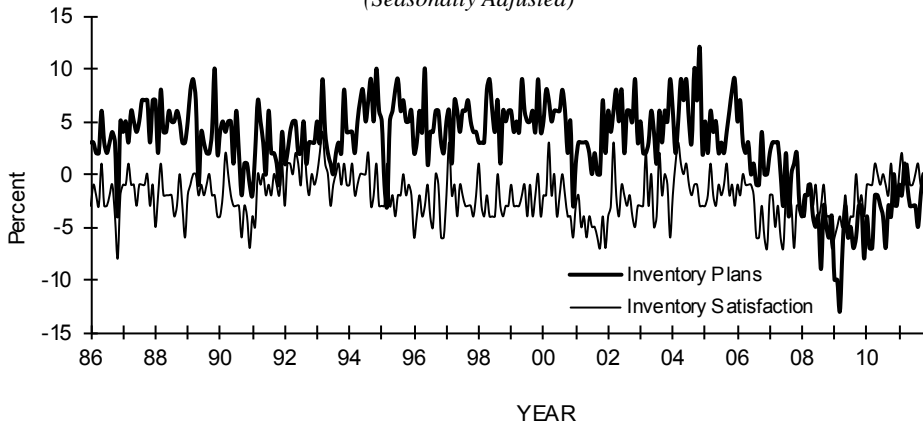
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	5	7	3	2	3	0	1	-1	-1	4	0	0
<b>2007</b>	2	3	3	3	0	-3	2	-4	0	1	2	-3
<b>2008</b>	-4	-2	-2	-1	-4	-5	-4	-9	-3	-5	-6	-4
<b>2009</b>	-10	-10	-13	-7	-3	-6	-5	-7	-6	-3	-3	-8
<b>2010</b>	-4	-7	-7	-2	2	-3	-4	-7	-3	-4	0	-3
<b>2011</b>	-1	-2	1	-1	-3	-3	-3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



# SMALL BUSINESS CAPITAL OUTLAYS

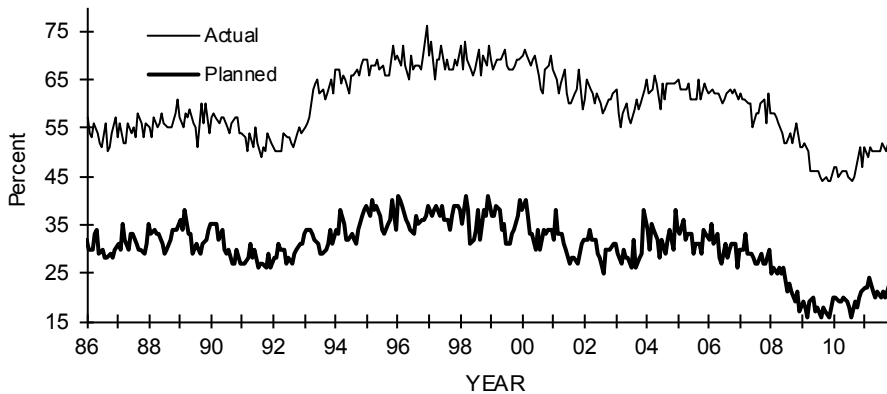
## INVENTORY SATISFACTION AND INVENTORY PLANS

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



## CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months  
 January 1986 to December 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	49	51	50	50	50	50	52	50	52	53	56



## 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	20	15	21
Equipment	42	30	36
Furniture or Fixtures	13	7	9
Add. Bldgs. or Land	5	4	4
Improved Bldgs. or Land	13	11	11

### AMOUNT OF CAPITAL EXPENDITURES MADE

Percent Distribution of Per Firm Expenditures  
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	4	3	3
\$1,000 to \$4,999	10	8	8
\$5,000 to \$9,999	8	6	5
\$10,000 to \$49,999	17	14	18
\$50,000 to \$99,999	7	6	6
\$100,000 +	9	6	10
No Answer	1	1	1

### CAPITAL EXPENDITURE PLANS

Percent Planning a Capital Expenditure During Next Three to Six Months  
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	22	24	21	20	21	20	21	20	21	24	24



# SINGLE MOST IMPORTANT PROBLEM

## SINGLE MOST IMPORTANT PROBLEM

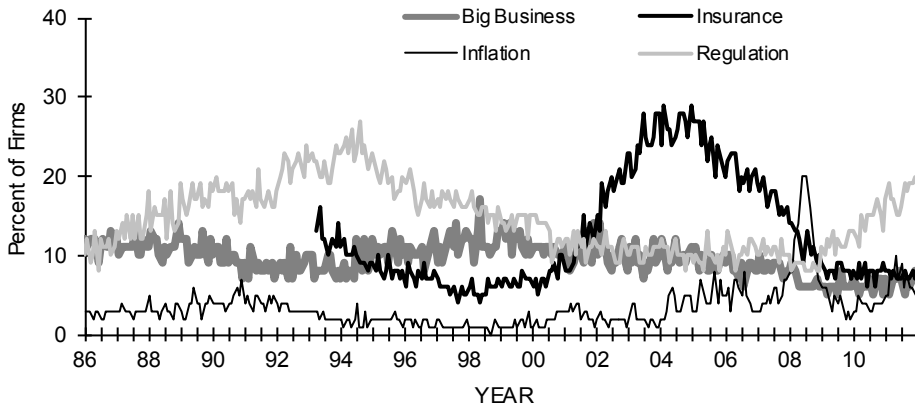
December 2011

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	21	20	32	8
<b>Inflation</b>	5	2	41	0
<b>Poor Sales</b>	23	34	34	2
<b>Fin. &amp; Interest Rates</b>	4	4	37	1
<b>Cost of Labor</b>	3	3	9	2
<b>Govt. Reqs. &amp; Red Tape</b>	20	13	27	4
<b>Comp. From Large Bus.</b>	8	6	14	4
<b>Quality of Labor</b>	5	4	24	3
<b>Cost/Avail. of Insurance</b>	7	7	29	4
<b>Other</b>	4	7	31	1

## SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

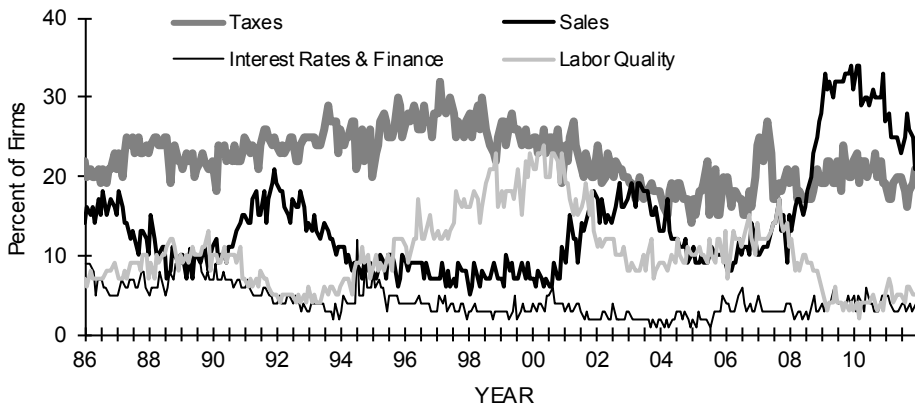
January 1986 to December 2011



## SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to December 2011



# SURVEY PROFILE

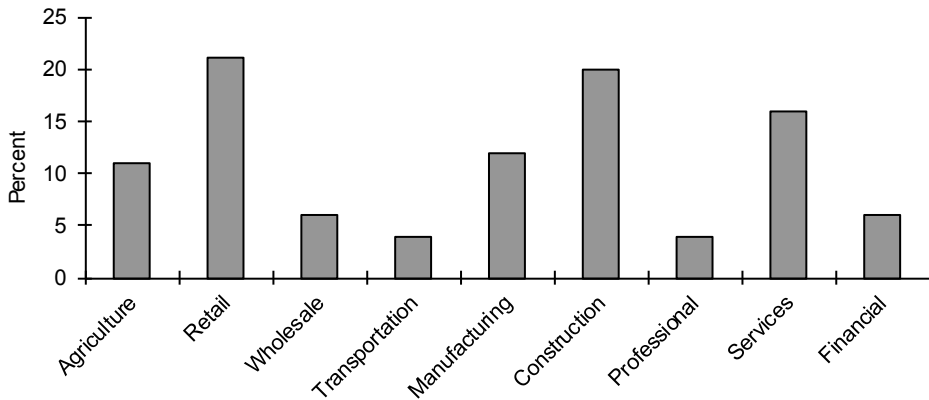
## OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

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	774	811	1985	733	766	1817	926	729	2077	781	735

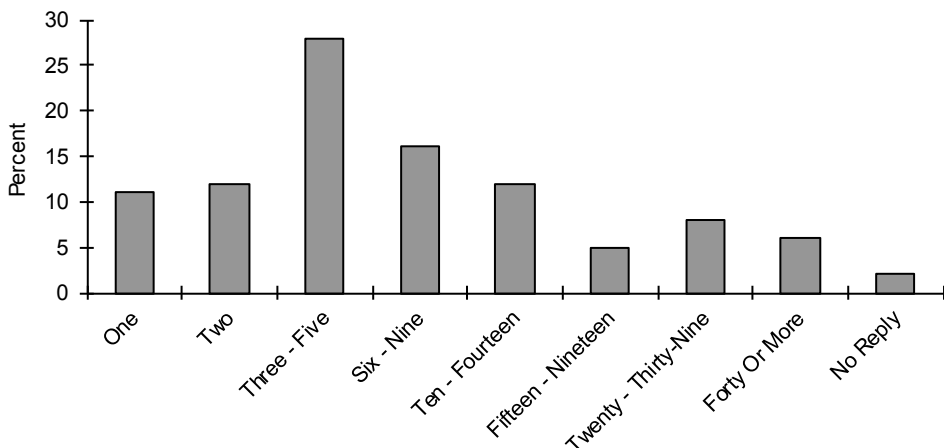
## NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

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**

