



NFIB SMALL BUSINESS ECONOMIC TRENDS

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September 2009

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 | 0% | 3 | 13% |
| Plans to Make Capital Outlays | 16% | -2 | -9% |
| Plans to Increase Inventories | -7% | -2 | -9% |
| Expect Economy to Improve | 10% | 13 | 57% |
| Expect Real Sales Higher | -5% | 6 | 26% |
| Current Inventory | -4% | 0 | 0% |
| Current Job Openings | 8% | -1 | -4% |
| Expected Credit Conditions | -13% | 1 | 4% |
| Now a Good Time to Expand | 5% | 0 | 0% |
| Earnings Trends | -40% | 5 | 22% |
| Total Change | | 23 | 100% |

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

NFIB SMALL BUSINESS ECONOMIC TRENDS

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

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SUMMARY

OPTIMISM INDEX

The Index of Small Business Optimism gained 2.1 points in August, rising to 88.6 (1986=100), 7.6 points higher than the survey's second lowest reading reached in March. Seven of the 10 Index components posted gains or were unchanged, three declined. The gain was primarily a result of improved expectations for future business conditions and real sales volumes. The gain in the Optimism Index clearly signals that the worst is likely over, but so far there has been no "surge" in sentiment or in the important Index components directly tied to the Gross Domestic Product.

LABOR MARKETS

The "job generating machine" is still in reverse. Eight percent (seasonally adjusted) reported unfilled job openings, down one point from July. Over the next three months, 13 percent plan to reduce employment (down one point), and seven percent plan to create new jobs (down one point), yielding a seasonally adjusted net zero percent of owners planning to create new jobs, a three point improvement over July. Reports of compensation cuts and increases remained in record territory, with 10 percent reporting reduced worker compensation, and 12 percent reporting increased worker compensation. Seasonally adjusted, a net six percent reported raising worker compensation, unchanged from July and only three points above June's record low reading.

CAPITAL SPENDING

Plans to make capital expenditures over the next few months fell two points to 16 percent, revisiting the survey record low reached in 1975 and in March of this year. Five percent characterized the current period as a good time to expand facilities, unchanged from July and historically very low. But, a net 10 percent expect business conditions to improve over the next six months, up 13 points from July. The frequency of reported capital outlays over the past six months fell one point to 45 percent of all firms, a record low reading (data first collected in 1979).

INVENTORIES AND SALES

The net percent of all owners (seasonally adjusted) reporting higher sales in the past three months remained negative at minus 27 percent, but seven points better than the record low set in March and revisited in July. Expectations for gains in real sales rebounded, gaining six points from the July reading to a net negative five percent expecting improvements. Although still negative, this latest rebound in expectations is 26 points better than the March record low level. Small business owners continued to liquidate inventories. A net negative 24 percent of all owners reported gains in inventory stocks (more firms cut stocks than added to them, seasonally adjusted), three points better than the record low of negative 27 recorded each month from April through June.



INFLATION

In August, 11 percent of small business owners reported raising their average selling prices, while 31 percent reported reductions in average selling prices (both unchanged). No inflation in those numbers. Seasonally adjusted, the net percent of owners raising prices was negative 19 percent, far more cutting prices than raising them. Good news for Federal Reserve, bad news for owners. Plans to raise prices rose three points to a net seasonally adjusted eight percent of owners, 30 points below the July 2008 reading. Pricing power has vanished and reports of sales declines are exceptionally high in part because of the widespread price cuts.

PROFITS AND WAGES

Reports of positive profit trends improved five points to a net negative 40 percentage points. Not seasonally adjusted, 16 percent reported profits higher (up three points), but 50 percent reported profits falling (down two points). Of those owners reporting lower earnings compared to the previous three months, 62 percent cited weaker sales. The fact that these negative reports persist is bad news for the small business community. Wage pressures are falling as owners not only reduce employment but also the compensation of remaining workers. But the cost reductions are not enough to firm up profits. Ten percent of the owners reported reducing worker compensation, a near record high. Only 12 percent reported raising worker compensation, a point above the survey record low reached in the last few months. Seasonally adjusted, a net six percent reported raising compensation, unchanged from July but a few points above the June record low reading of three percent.

CREDIT MARKETS

Overall, loan demand is down due to widespread postponement of investment in inventories and historically low plans for capital spending. Thirty-two (32) percent reported regular borrowing, down one point from July. Of those borrowers, 30 percent reported all their borrowing needs met (up two points) compared to seven percent who reported problems obtaining desired financing (down three points). The recession is now 21 months old, much longer than any other time since the 1980-82 period, so more “stress” is likely as owners wait for customers to show up and for their cash flow to improve. The net percent of owners reporting loans harder to get fell one point to 14 percent of all firms. But only four percent of the owners reported “financing” as their number one business problem. Pre-1983, as many as 37 percent cited financing and interest rates as their top problem.



COMMENTARY

It looks like the third quarter will turn out a bit better than we predicted last year. At the time, our forecast was quite optimistic. Most everyone seems to be revising up, even past the NFIB forecast. But the NFIB data confirm that the fundamentals are still weak. “Cutting” is starting to diminish, but “adding” has not picked up in jobs, inventories or capital spending. Only one month left to make Q3 but as we learned from Septembers in 2007 and 2008, Septembers can bring major shifts – down and hopefully up.

The small business sector has taken a real beating. Owners have reduced employment and cut inventories at a record pace, and capital spending (plans and actual) reached 35 year lows this year. Clawing their way back requires some cooperation from consumers, the source of sales for most small firms, and they are not in a spending mood. For many consumers, debt burdens have restrained spending. For higher income consumers, psychology is playing a negative role – wealth losses have shocked them into reduced spending.

Capital expenditures are at record low levels. So are plans to make outlays in the next three months. Plans to invest in inventories are at the third lowest level in survey history, but have been at that level for a long period of time. Inventory reductions have been running at new record levels for a year. Reports of sales declines are running at record levels (price cuts part of the cause, lower real unit sales as well) and this has produced reports of profit declines at record rates. It is looking like the worst period in survey history, worse in many ways than the 1980-82 period which had a “relief growth rally” in the middle of its 22 month span.

Political leadership has also had a negative impact on attitudes. For years, owners have expressed a vote of “no confidence” in the economic policies of Congress. From September 2008 through June 2009, leadership has been unconvincing, appeared confused, and unable to act in a way that engendered confidence from the private sector. The Stimulus Package contained very little current stimulus and Congress has continued to pursue major legislative changes that promise to be less than business or consumer friendly. Taxes, Taxes, Taxes, Regulations, Regulations, Regulations. Deficits, larger and deeper. Depressing.

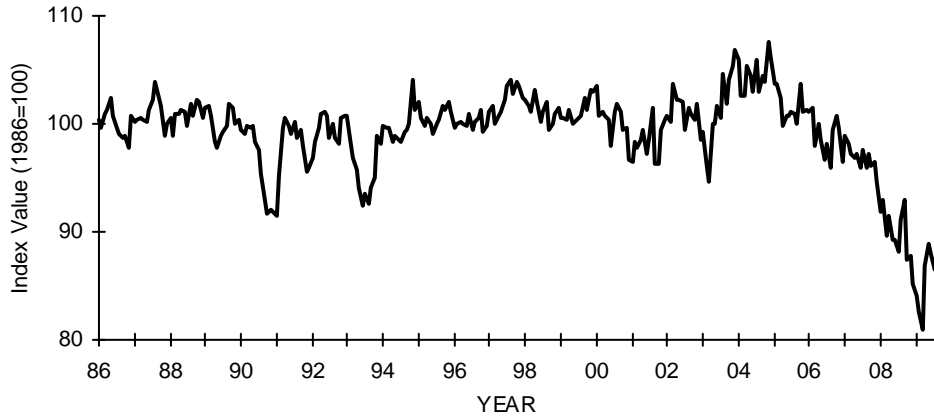
With all that, the private sector is slowly climbing its way back, pent up demand is huge (even without the credit driven levels of spending from the expansion). Consumers are slowly rebuilding their financial foundations and spending will recover, albeit slowly. In the long haul, the relationship between consumption and spending is fairly stable. We used credit to “over-consume,” now we will repay the debt and “under-consume” for a spell. The attempts by Congress to “steam roll” the private sector are being repelled by ordinary folk and politicians who have faith in the private sector, not government. This is contributing to an improvement in expectations for economic performance. Real sales volumes and business conditions are expected to improve, let’s hope that owners follow up with an increase in their spending and hiring.



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)

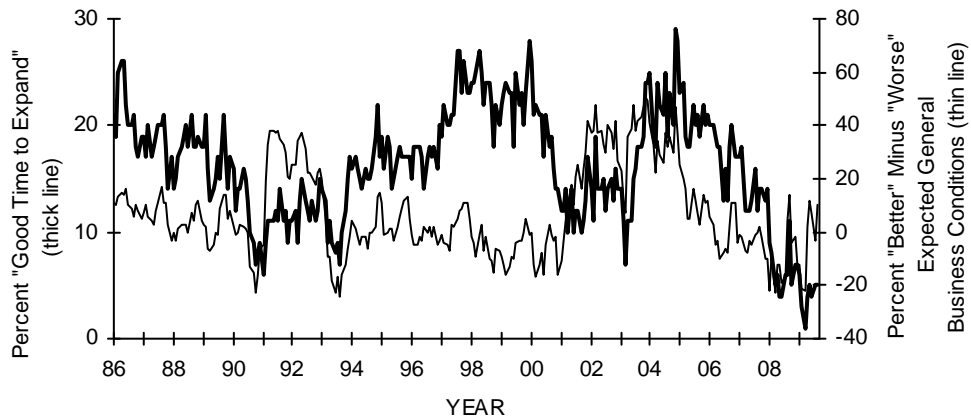
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2004 | 105.8 | 102.6 | 102.6 | 105.3 | 104.5 | 103.0 | 105.9 | 102.9 | 104.5 | 103.9 | 107.7 | 106.1 |
| 2005 | 103.7 | 103.7 | 102.5 | 99.8 | 100.8 | 100.8 | 101.1 | 100.9 | 100.0 | 103.7 | 101.2 | 101.4 |
| 2006 | 101.1 | 101.5 | 98.0 | 100.1 | 98.5 | 96.7 | 98.1 | 95.9 | 99.4 | 100.7 | 99.7 | 96.5 |
| 2007 | 98.9 | 98.2 | 97.3 | 96.8 | 97.2 | 96.0 | 97.6 | 96.3 | 97.3 | 96.2 | 94.4 | 94.6 |
| 2008 | 91.8 | 92.9 | 89.6 | 91.5 | 89.3 | 89.2 | 88.2 | 91.1 | 92.9 | 87.5 | 87.8 | 85.2 |
| 2009 | 84.1 | 82.6 | 81.0 | 86.8 | 88.9 | 87.9 | 86.5 | 88.6 | | | | |



SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January 1986 to August 2009
(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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 25 | 19 | 18 | 24 | 22 | 21 | 25 | 19 | 23 | 20 | 29 | 28 |
| 2005 | 23 | 24 | 19 | 18 | 18 | 22 | 20 | 21 | 19 | 22 | 20 | 21 |
| 2006 | 20 | 20 | 19 | 18 | 18 | 13 | 16 | 13 | 18 | 20 | 17 | 17 |
| 2007 | 17 | 18 | 12 | 12 | 12 | 13 | 16 | 12 | 14 | 14 | 13 | 14 |
| 2008 | 9 | 8 | 5 | 6 | 4 | 4 | 6 | 6 | 11 | 5 | 7 | 7 |
| 2009 | 6 | 3 | 1 | 4 | 5 | 4 | 5 | 5 | | | | |

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
August 2009

| Reason | Good Time | Not Good Time | Uncertain |
|----------------------------------|-----------|---------------|-----------|
| Economic Conditions | 2 | 51 | 13 |
| Sales Prospects | 2 | 6 | 1 |
| Fin. & Interest Rates | 0 | 1 | 1 |
| Cost of Expansion | 1 | 2 | 1 |
| Political Climate | 0 | 12 | 3 |
| Other/Not Available | 0 | 1 | 1 |



OUTLOOK FOR GENERAL BUSINESS CONDITIONS

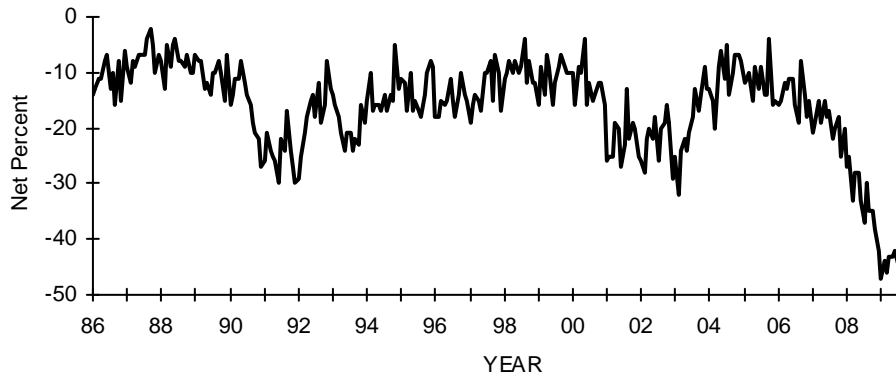
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 41 | 33 | 22 | 34 | 29 | 26 | 37 | 32 | 36 | 30 | 47 | 37 |
| 2005 | 25 | 20 | 16 | 5 | 5 | 16 | 12 | 7 | 3 | 14 | 11 | 12 |
| 2006 | 6 | 3 | -5 | -3 | -10 | -8 | -6 | -8 | 2 | 11 | 11 | -4 |
| 2007 | -1 | -2 | -7 | -8 | -3 | -5 | -1 | 0 | 2 | -2 | -10 | -10 |
| 2008 | -22 | -9 | -23 | -12 | -12 | -19 | -17 | 4 | 14 | -4 | -2 | -13 |
| 2009 | -12 | -21 | -22 | 2 | 12 | 7 | -3 | 10 | | | | |

SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to August 2009
(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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | -13 | -15 | -20 | -9 | -6 | -11 | -5 | -14 | -10 | -7 | -7 | -8 |
| 2005 | -12 | -11 | -10 | -15 | -9 | -13 | -9 | -14 | -14 | -4 | -16 | -15 |
| 2006 | -16 | -15 | -12 | -13 | -11 | -11 | -16 | -19 | -8 | -14 | -18 | -15 |
| 2007 | -21 | -19 | -15 | -19 | -15 | -18 | -17 | -22 | -20 | -18 | -25 | -20 |
| 2008 | -27 | -25 | -33 | -28 | -28 | -33 | -37 | -30 | -35 | -35 | -38 | -42 |
| 2009 | -47 | -44 | -46 | -43 | -43 | -42 | -45 | -40 | | | | |



MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
August 2009

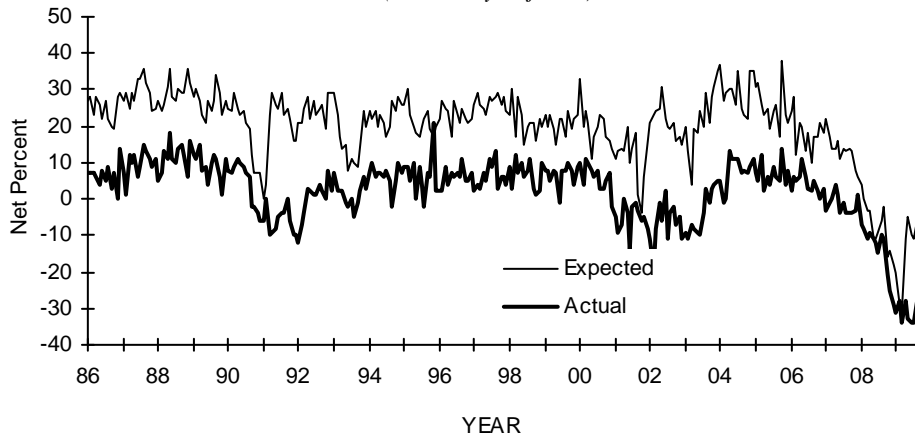
| Reason | Current Month | One Year Ago | Two Years Ago |
|------------------------------|---------------|--------------|---------------|
| Sales Volume | 31 | 17 | 16 |
| Increased Costs* | 8 | 16 | 13 |
| Cut Selling Prices | 6 | 4 | 3 |
| Usual Seasonal Change | 2 | 2 | 5 |
| Other | 3 | 2 | 0 |

* 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 August 2009
 (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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 5 | -1 | 0 | 13 | 11 | 11 | 11 | 7 | 8 | 7 | 9 | 11 |
| 2005 | 7 | 5 | 12 | 2 | 6 | 4 | 9 | 6 | 5 | 14 | 4 | 8 |
| 2006 | 2 | 6 | 5 | 6 | 11 | 6 | 3 | 2 | 5 | 2 | 0 | 3 |
| 2007 | -3 | -1 | 0 | 4 | 1 | -4 | -1 | -4 | -4 | -4 | -3 | 1 |
| 2008 | -7 | -8 | -11 | -9 | -11 | -12 | -15 | -10 | -11 | -21 | -25 | -29 |
| 2009 | -31 | -28 | -34 | -28 | -33 | -34 | -34 | -27 | | | | |



SALES EXPECTATIONS

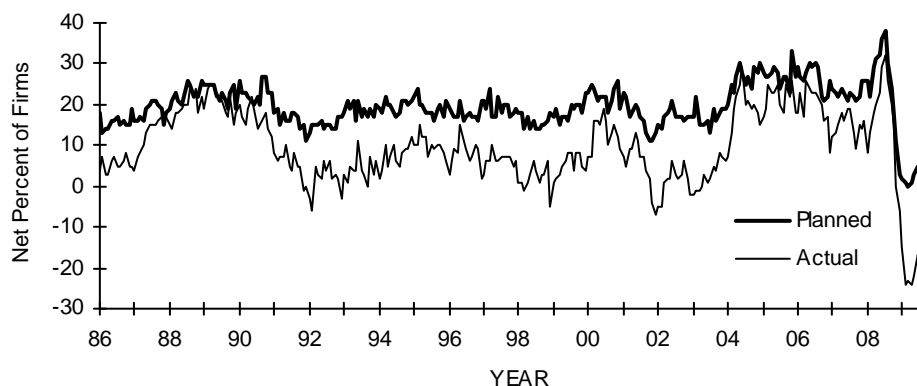
Net Percent (“Higher” Minus “Lower”) During Next Three Months
 (Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 37 | 27 | 29 | 30 | 30 | 26 | 35 | 25 | 23 | 22 | 35 | 35 |
| 2005 | 31 | 32 | 26 | 23 | 25 | 19 | 24 | 26 | 17 | 38 | 23 | 21 |
| 2006 | 24 | 28 | 12 | 21 | 20 | 13 | 18 | 10 | 17 | 17 | 21 | 18 |
| 2007 | 22 | 17 | 14 | 14 | 16 | 11 | 14 | 13 | 14 | 13 | 8 | 6 |
| 2008 | 4 | 0 | -3 | -3 | -11 | -11 | -9 | -6 | -2 | -16 | -14 | -18 |
| 2009 | -20 | -29 | -31 | -11 | -5 | -10 | -11 | -5 | | | | |

SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
 January 1986 to August 2009
 (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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 7 | 13 | 19 | 22 | 25 | 29 | 20 | 21 | 19 | 20 | 18 | 15 |
| 2005 | 17 | 19 | 25 | 23 | 23 | 25 | 20 | 18 | 25 | 22 | 26 | 18 |
| 2006 | 18 | 23 | 17 | 26 | 24 | 23 | 23 | 22 | 20 | 16 | 17 | 8 |
| 2007 | 12 | 13 | 15 | 18 | 16 | 19 | 19 | 13 | 9 | 15 | 14 | 16 |
| 2008 | 8 | 13 | 18 | 20 | 23 | 29 | 32 | 26 | 20 | 15 | 0 | -6 |
| 2009 | -15 | -24 | -23 | -24 | -22 | -17 | -19 | -19 | | | | |



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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 20 | 25 | 23 | 27 | 30 | 28 | 25 | 27 | 24 | 29 | 28 | 30 |
| 2005 | 28 | 27 | 27 | 28 | 29 | 28 | 24 | 27 | 27 | 23 | 33 | 27 |
| 2006 | 29 | 27 | 26 | 28 | 30 | 29 | 30 | 29 | 22 | 21 | 22 | 26 |
| 2007 | 24 | 23 | 22 | 24 | 23 | 21 | 23 | 22 | 21 | 22 | 26 | 26 |
| 2008 | 26 | 22 | 29 | 31 | 32 | 36 | 38 | 30 | 24 | 18 | 11 | 3 |
| 2009 | 2 | 1 | 0 | 1 | 3 | 5 | 5 | 8 | | | | |

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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 0 | 0 | -2 | 0 | 3 | 2 | 7 | 5 | 5 | 6 | 7 | 11 |
| 2005 | 4 | 3 | 4 | -1 | 1 | 4 | 7 | 7 | 0 | 14 | 4 | 1 |
| 2006 | 1 | 4 | -1 | -3 | -3 | -2 | 2 | 5 | -3 | 5 | 0 | 3 |
| 2007 | 2 | 4 | -6 | -5 | -2 | 0 | 1 | 4 | -1 | 3 | 0 | 2 |
| 2008 | 0 | -3 | -7 | -9 | -10 | -12 | -5 | -4 | -10 | -9 | -10 | -18 |
| 2009 | -15 | -15 | -22 | -25 | -24 | -23 | -17 | -16 | | | | |

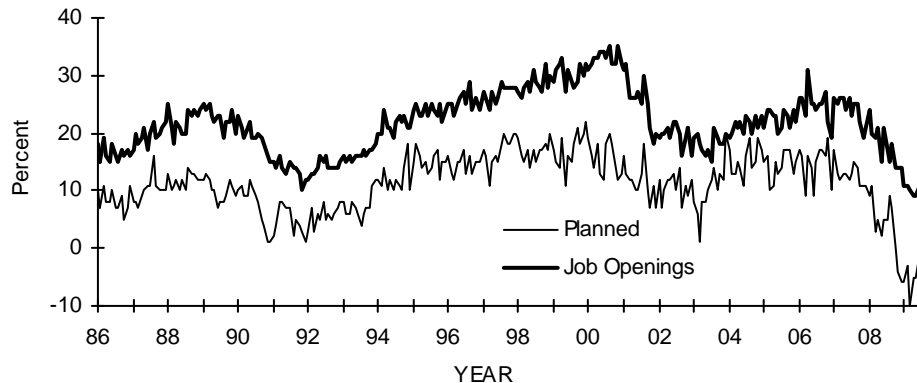
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 33 | 37 | 39 | 35 | 40 | 37 | 39 | 42 | 36 | 42 | 39 | 41 |
| 2005 | 36 | 38 | 41 | 39 | 41 | 39 | 41 | 41 | 39 | 41 | 46 | 42 |
| 2006 | 40 | 40 | 39 | 41 | 46 | 45 | 42 | 46 | 44 | 46 | 44 | 40 |
| 2007 | 41 | 41 | 43 | 43 | 42 | 45 | 43 | 44 | 48 | 46 | 40 | 37 |
| 2008 | 37 | 36 | 36 | 37 | 33 | 39 | 36 | 35 | 38 | 35 | 31 | 30 |
| 2009 | * | * | 24 | 24 | 25 | 27 | 26 | 23 | | | | |

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to August 2009
(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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 19 | 20 | 22 | 21 | 22 | 20 | 23 | 22 | 20 | 23 | 21 | 23 |
| 2005 | 21 | 24 | 24 | 23 | 23 | 20 | 21 | 24 | 23 | 21 | 24 | 22 |
| 2006 | 26 | 26 | 23 | 31 | 25 | 25 | 24 | 25 | 25 | 27 | 22 | 19 |
| 2007 | 26 | 25 | 26 | 26 | 24 | 26 | 23 | 25 | 25 | 22 | 19 | 21 |
| 2008 | 24 | 20 | 19 | 21 | 15 | 21 | 17 | 15 | 18 | 14 | 14 | 14 |
| 2009 | 11 | 11 | 10 | 9 | 9 | 11 | 9 | 8 | | | | |

HIRING PLANS

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

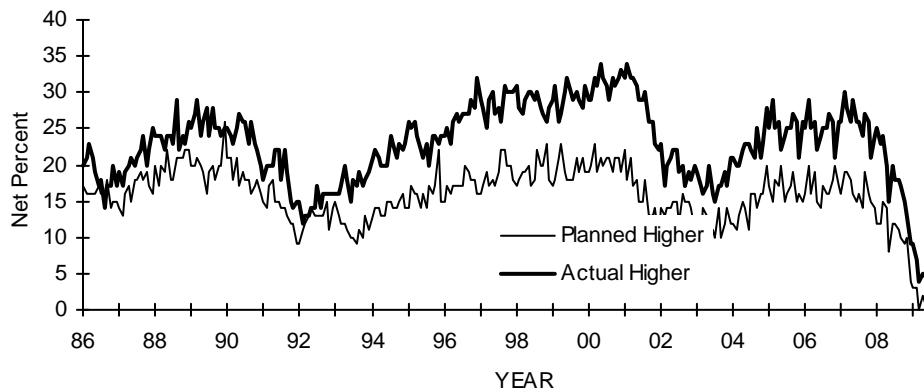
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 17 | 13 | 13 | 15 | 14 | 11 | 16 | 19 | 14 | 15 | 19 | 17 |
| 2005 | 15 | 16 | 10 | 11 | 15 | 13 | 14 | 17 | 17 | 17 | 13 | 15 |
| 2006 | 17 | 16 | 9 | 16 | 14 | 9 | 15 | 17 | 17 | 16 | 19 | 10 |
| 2007 | 17 | 13 | 12 | 13 | 13 | 12 | 13 | 15 | 14 | 11 | 11 | 11 |
| 2008 | 9 | 11 | 3 | 5 | 2 | 5 | 5 | 9 | 7 | 0 | -4 | -6 |
| 2009 | -6 | -3 | -10 | -5 | -5 | -1 | -3 | 0 | | | | |



SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to August 2009 (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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 21 | 20 | 20 | 22 | 23 | 23 | 22 | 21 | 25 | 21 | 23 | 28 |
| 2005 | 25 | 29 | 25 | 26 | 22 | 24 | 25 | 25 | 27 | 26 | 21 | 26 |
| 2006 | 25 | 24 | 22 | 27 | 24 | 22 | 24 | 25 | 28 | 23 | 25 | 21 |
| 2007 | 26 | 30 | 28 | 26 | 29 | 26 | 27 | 24 | 27 | 26 | 21 | 24 |
| 2008 | 25 | 23 | 24 | 20 | 15 | 20 | 18 | 18 | 17 | 15 | 13 | 9 |
| 2009 | 9 | 7 | 4 | 5 | 5 | 3 | 6 | 6 | | | | |

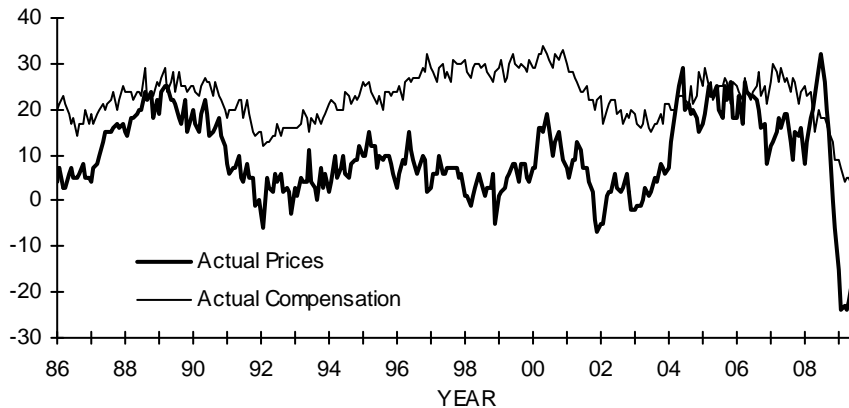
COMPENSATION PLANS

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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 12 | 11 | 13 | 15 | 14 | 11 | 16 | 16 | 14 | 16 | 16 | 20 |
| 2005 | 17 | 15 | 18 | 17 | 20 | 15 | 16 | 17 | 19 | 15 | 16 | 15 |
| 2006 | 16 | 20 | 16 | 19 | 15 | 14 | 17 | 16 | 16 | 18 | 20 | 17 |
| 2007 | 16 | 19 | 19 | 18 | 16 | 15 | 16 | 14 | 19 | 16 | 15 | 14 |
| 2008 | 12 | 12 | 15 | 14 | 8 | 12 | 12 | 11 | 10 | 9 | 10 | 4 |
| 2009 | 3 | 3 | 0 | 2 | 1 | 3 | 4 | 3 | | | | |

PRICES AND LABOR COMPENSATION

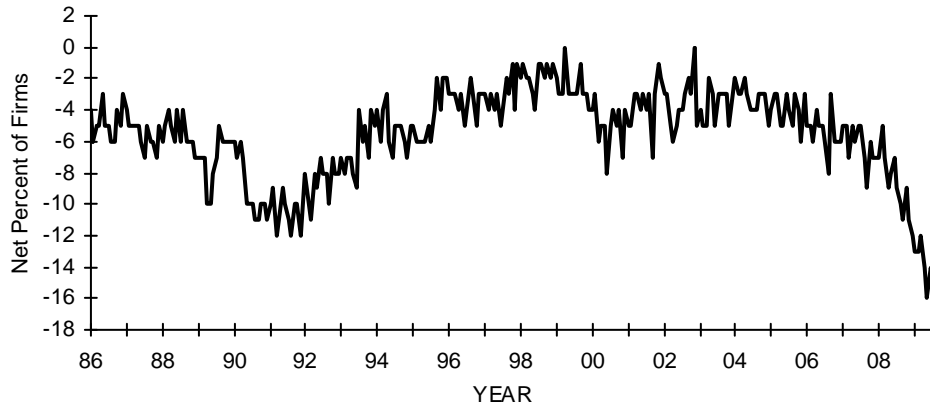
Net Percent Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to August 2009



* 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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 36 | 35 | 40 | 36 | 35 | 33 | 35 | 35 | 33 | 35 | 33 | 38 |
| 2005 | 36 | 35 | 37 | 39 | 40 | 39 | 34 | 40 | 36 | 34 | 38 | 34 |
| 2006 | 37 | 38 | 36 | 40 | 38 | 41 | 38 | 46 | 35 | 37 | 38 | 35 |
| 2007 | 37 | 39 | 35 | 37 | 38 | 35 | 36 | 35 | 36 | 36 | 32 | 34 |
| 2008 | 36 | 34 | 33 | 36 | 35 | 35 | 34 | 34 | 32 | 33 | 31 | 33 |
| 2009 | 35 | 36 | 33 | 33 | 34 | 30 | 33 | 32 | | | | |



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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | -2 | -3 | -3 | -2 | -3 | -4 | -4 | -4 | -3 | -3 | -3 | -5 |
| 2005 | -4 | -3 | -3 | -5 | -5 | -3 | -4 | -5 | -3 | -4 | -6 | -3 |
| 2006 | -5 | -5 | -6 | -4 | -5 | -5 | -6 | -8 | -3 | -6 | -6 | -6 |
| 2007 | -5 | -5 | -7 | -5 | -6 | -5 | -5 | -7 | -9 | -6 | -7 | -7 |
| 2008 | -7 | -5 | -7 | -9 | -8 | -7 | -9 | -10 | -11 | -9 | -11 | -12 |
| 2009 | -13 | -13 | -12 | -14 | -16 | -14 | -15 | -14 | | | | |

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 |
|-------------|------|------|-------|------|------|-------|-------|------|------|------|------|------|
| 2004 | 36/6 | 36/8 | 38/6 | 37/6 | 34/5 | 34/5 | 37/5 | 35/7 | 36/5 | 35/5 | 36/3 | 39/4 |
| 2005 | 38/4 | 39/4 | 39/5 | 38/6 | 41/4 | 39/5 | 34/5 | 36/4 | 34/4 | 34/5 | 39/4 | 35/5 |
| 2006 | 36/4 | 37/6 | 36/6 | 38/5 | 38/5 | 39/5 | 38/4 | 44/4 | 34/4 | 36/7 | 34/4 | 36/5 |
| 2007 | 36/5 | 40/5 | 35/5 | 38/4 | 39/6 | 36/4 | 37/5 | 35/4 | 37/5 | 36/6 | 32/4 | 32/7 |
| 2008 | 34/5 | 35/4 | 32/6 | 34/5 | 34/7 | 35/5 | 32/7 | 35/6 | 33/6 | 31/6 | 31/7 | 32/6 |
| 2009 | 33/8 | 32/8 | 29/10 | 30/8 | 28/9 | 30/10 | 28/10 | 30/7 | | | | |

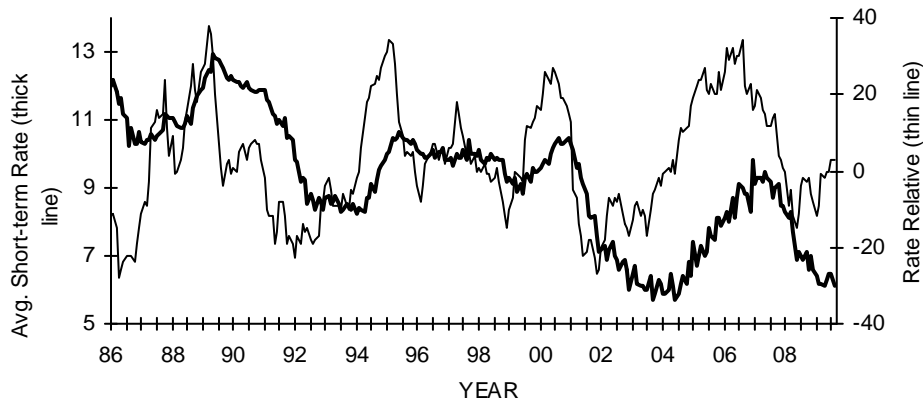
EXPECTED CREDIT CONDITIONS

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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | -5 | -6 | -4 | -4 | -5 | -6 | -6 | -6 | -3 | -5 | -4 | -7 |
| 2005 | -4 | -3 | -6 | -6 | -8 | -7 | -5 | -8 | -6 | -5 | -8 | -5 |
| 2006 | -6 | -7 | -7 | -8 | -8 | -8 | -7 | -9 | -5 | -6 | -5 | -7 |
| 2007 | -7 | -8 | -8 | -7 | -6 | -6 | -6 | -9 | -10 | -8 | -8 | -10 |
| 2008 | -9 | -8 | -9 | -11 | -10 | -10 | -12 | -11 | -13 | -16 | -13 | -15 |
| 2009 | -14 | -16 | -14 | -12 | -15 | -13 | -14 | -13 | | | | |

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to August 2009



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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | -1 | 0 | 1 | 0 | 3 | -1 | 8 | 11 | 10 | 11 | 12 | 17 |
| 2005 | 19 | 22 | 24 | 24 | 27 | 21 | 20 | 23 | 20 | 20 | 26 | 21 |
| 2006 | 26 | 32 | 29 | 32 | 28 | 30 | 30 | 34 | 22 | 20 | 23 | 16 |
| 2007 | 17 | 21 | 19 | 16 | 15 | 12 | 12 | 14 | 15 | 4 | 3 | 1 |
| 2008 | 0 | -9 | -5 | -12 | -15 | -11 | -4 | -2 | -3 | -2 | -6 | -8 |
| 2009 | -12 | -9 | -1 | -2 | 0 | 0 | 3 | 3 | | | | |

Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

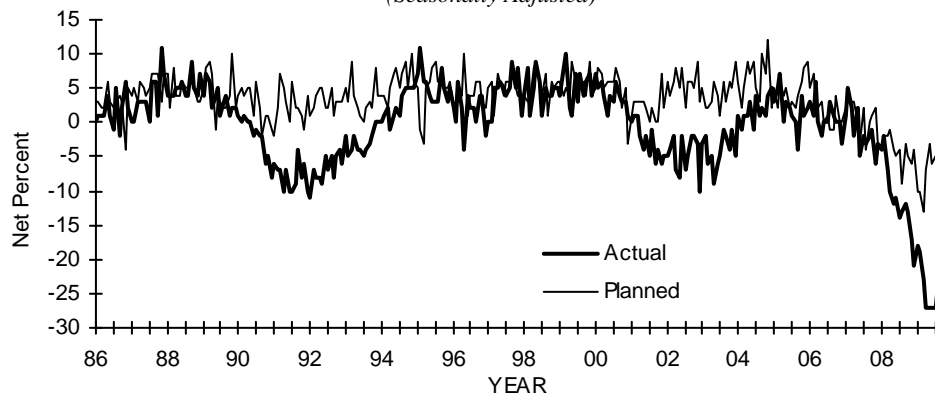
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 5.9 | 5.9 | 6.0 | 6.5 | 6.1 | 5.7 | 5.9 | 6.2 | 6.4 | 6.2 | 6.8 | 6.4 |
| 2005 | 7.4 | 6.7 | 7.0 | 7.3 | 7.0 | 7.1 | 7.8 | 7.6 | 7.5 | 8.1 | 8.1 | 7.9 |
| 2006 | 8.1 | 8.3 | 8.0 | 8.7 | 8.1 | 8.7 | 9.1 | 9.0 | 8.8 | 8.8 | 8.3 | 9.8 |
| 2007 | 9.1 | 9.3 | 9.3 | 9.2 | 9.5 | 9.3 | 9.2 | 8.7 | 9.0 | 9.1 | 8.5 | 8.5 |
| 2008 | 8.3 | 8.1 | 8.3 | 7.7 | 6.9 | 7.1 | 7.0 | 6.9 | 7.1 | 6.6 | 7.0 | 6.6 |
| 2009 | 6.4 | 6.2 | 6.2 | 6.1 | 6.3 | 6.5 | 6.5 | 6.1 | | | | |



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January 1986 to August 2009
(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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 1 | -1 | 1 | 1 | 3 | -1 | 4 | 1 | 2 | 1 | 4 | 5 |
| 2005 | 3 | 5 | 7 | 0 | 3 | 2 | 1 | 0 | -4 | 4 | 1 | 2 |
| 2006 | 3 | 1 | 6 | 0 | -2 | 0 | 0 | 3 | 1 | 0 | 0 | -3 |
| 2007 | 1 | 5 | 2 | -2 | 2 | -5 | -2 | -3 | -2 | -1 | -6 | -3 |
| 2008 | -4 | -2 | -7 | -10 | -12 | -11 | -14 | -13 | -12 | -13 | -17 | -21 |
| 2009 | -18 | -19 | -23 | -27 | -27 | -27 | -27 | -24 | | | | |

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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | -2 | 1 | 3 | 1 | 0 | 1 | -1 | -2 | -1 | -1 | -3 | -3 |
| 2005 | -3 | -2 | 1 | -2 | -3 | -1 | -2 | -1 | 1 | -2 | -1 | -3 |
| 2006 | -1 | -2 | 0 | -1 | -1 | -1 | -2 | -6 | -6 | -3 | -6 | -7 |
| 2007 | -2 | -2 | -5 | -3 | -6 | -7 | -2 | -2 | -3 | -7 | -3 | -3 |
| 2008 | -4 | -4 | -1 | -1 | -3 | -1 | -4 | -3 | -1 | -4 | -4 | -7 |
| 2009 | -6 | -5 | -4 | -5 | -2 | -5 | -4 | -4 | | | | |

INVENTORY PLANS

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

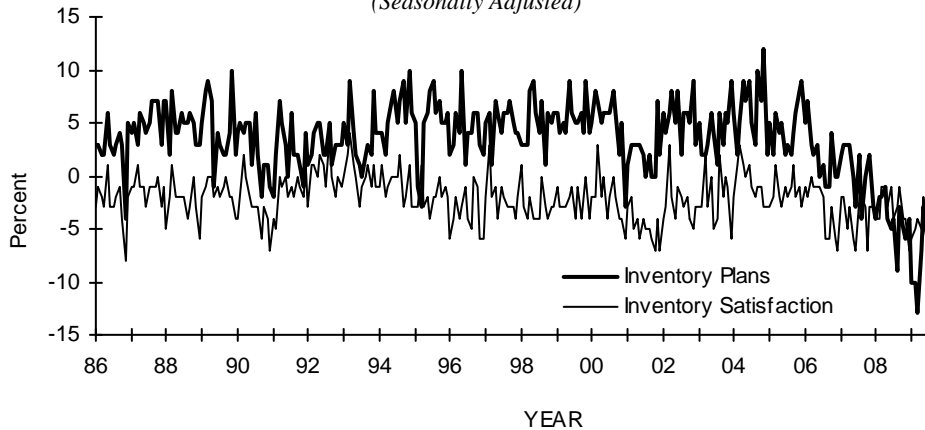
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 6 | 2 | 5 | 9 | 7 | 9 | 5 | 3 | 10 | 7 | 12 | 2 |
| 2005 | 5 | 2 | 6 | 4 | 5 | 2 | 3 | 2 | 4 | 6 | 8 | 9 |
| 2006 | 5 | 7 | 3 | 2 | 3 | 0 | 1 | -1 | -1 | 4 | 0 | 0 |
| 2007 | 2 | 3 | 3 | 3 | 0 | -3 | 2 | -4 | 0 | 1 | 2 | -3 |
| 2008 | -4 | -2 | -2 | -1 | -4 | -5 | -4 | -9 | -3 | -5 | -6 | -4 |
| 2009 | -10 | -10 | -13 | -7 | -3 | -6 | -5 | -7 | | | | |



SMALL BUSINESS CAPITAL OUTLAYS

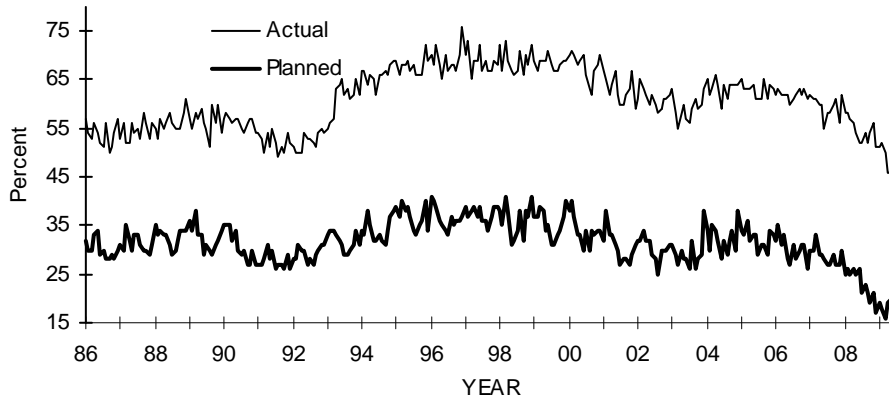
INVENTORY SATISFACTION AND INVENTORY PLANS

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 August 2009
(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 |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 65 | 62 | 63 | 66 | 64 | 59 | 64 | 61 | 64 | 64 | 64 | 64 |
| 2005 | 65 | 63 | 63 | 63 | 64 | 61 | 61 | 61 | 65 | 61 | 64 | 63 |
| 2006 | 62 | 63 | 62 | 62 | 62 | 60 | 61 | 62 | 63 | 62 | 63 | 61 |
| 2007 | 62 | 61 | 61 | 60 | 60 | 55 | 58 | 58 | 60 | 61 | 56 | 62 |
| 2008 | 58 | 58 | 57 | 56 | 54 | 52 | 52 | 54 | 52 | 54 | 56 | 51 |
| 2009 | 51 | 52 | 50 | 46 | 46 | 46 | 46 | 45 | | | | |

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 | 13 | 22 | 24 |
| Equipment | 31 | 39 | 42 |
| Furniture or Fixtures | 8 | 14 | 13 |
| Add. Bldgs. or Land | 4 | 4 | 7 |
| Improved Bldgs. or Land | 11 | 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 | 3 | 3 |
| \$1,000 to \$4,999 | 8 | 10 | 9 |
| \$5,000 to \$9,999 | 5 | 6 | 7 |
| \$10,000 to \$49,999 | 16 | 18 | 20 |
| \$50,000 to \$99,999 | 6 | 6 | 8 |
| \$100,000 + | 7 | 9 | 9 |
| No Answer | 0 | 1 | 2 |



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 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2004 | 34 | 30 | 35 | 34 | 32 | 28 | 32 | 29 | 32 | 34 | 30 | 38 |
| 2005 | 34 | 33 | 36 | 32 | 33 | 33 | 29 | 31 | 31 | 29 | 34 | 33 |
| 2006 | 32 | 35 | 31 | 33 | 28 | 27 | 31 | 28 | 30 | 31 | 31 | 26 |
| 2007 | 30 | 30 | 33 | 29 | 29 | 28 | 27 | 27 | 29 | 27 | 27 | 30 |
| 2008 | 25 | 26 | 25 | 26 | 25 | 26 | 21 | 23 | 21 | 19 | 21 | 17 |
| 2009 | 19 | 18 | 16 | 19 | 20 | 17 | 18 | 16 | | | | |

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM

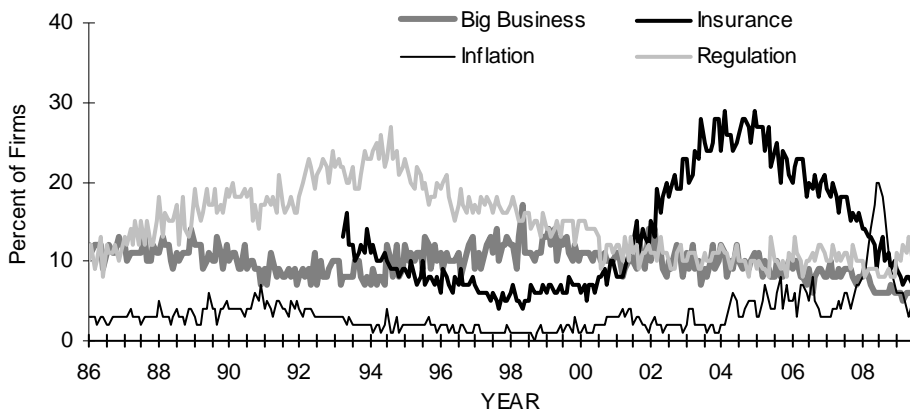
August 2009

| Problem | Current | One Year Ago | Survey High | Survey Low |
|--------------------------|---------|--------------|-------------|------------|
| Taxes | 18 | 17 | 32 | 8 |
| Inflation | 5 | 18 | 41 | 0 |
| Poor Sales | 32 | 18 | 33 | 2 |
| Fin. & Interest Rates | 4 | 2 | 37 | 1 |
| Cost of Labor | 5 | 4 | 9 | 2 |
| Govt. Reqs. & Red Tape | 11 | 8 | 27 | 4 |
| Comp. From Large Bus. | 8 | 6 | 14 | 4 |
| Quality of Labor | 4 | 9 | 24 | 3 |
| Cost/Avail. of Insurance | 9 | 13 | 29 | 4 |
| Other | 4 | 5 | 31 | 1 |

SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

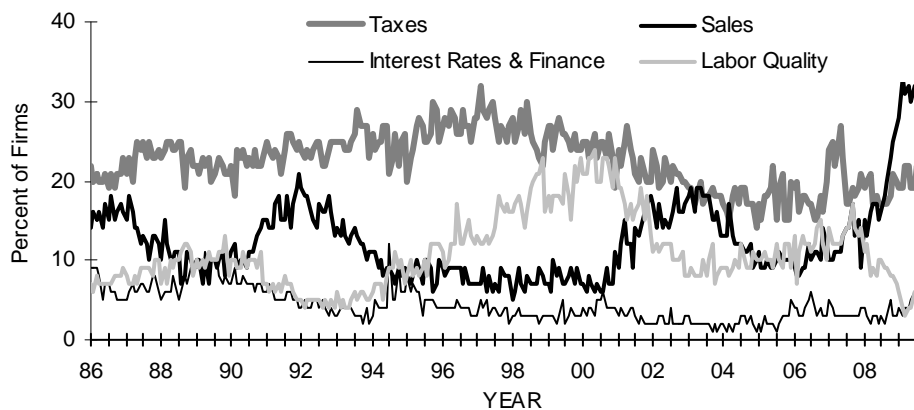
January 1986 to August 2009



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to August 2009



SURVEY PROFILE

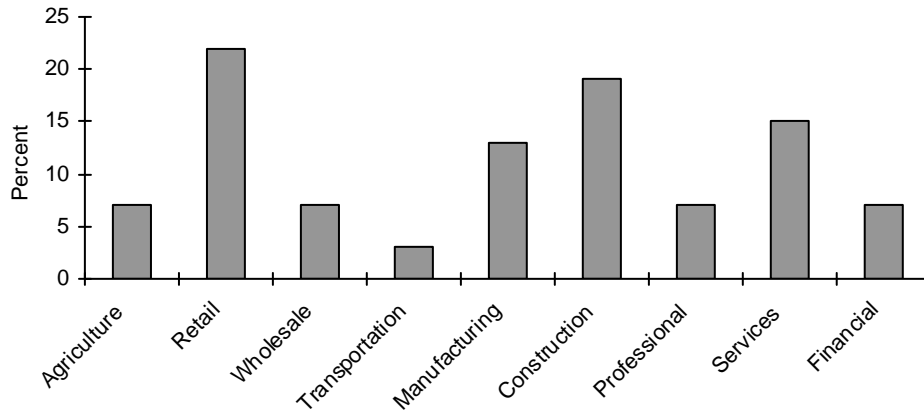
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|
| 2004 | 1245 | 587 | 474 | 1274 | 487 | 468 | 1221 | 503 | 480 | 1221 | 574 | 441 |
| 2005 | 1239 | 495 | 409 | 1220 | 489 | 427 | 1116 | 499 | 423 | 1116 | 532 | 481 |
| 2006 | 1274 | 484 | 471 | 1094 | 440 | 416 | 1007 | 480 | 380 | 1075 | 451 | 446 |
| 2007 | 1755 | 750 | 737 | 1703 | 618 | 589 | 1613 | 720 | 674 | 1614 | 719 | 670 |
| 2008 | 1845 | 700 | 735 | 1768 | 737 | 703 | 1827 | 812 | 743 | 1992 | 826 | 805 |
| 2009 | 2013 | 846 | 867 | 1794 | 814 | 758 | 1994 | 882 | | | | |

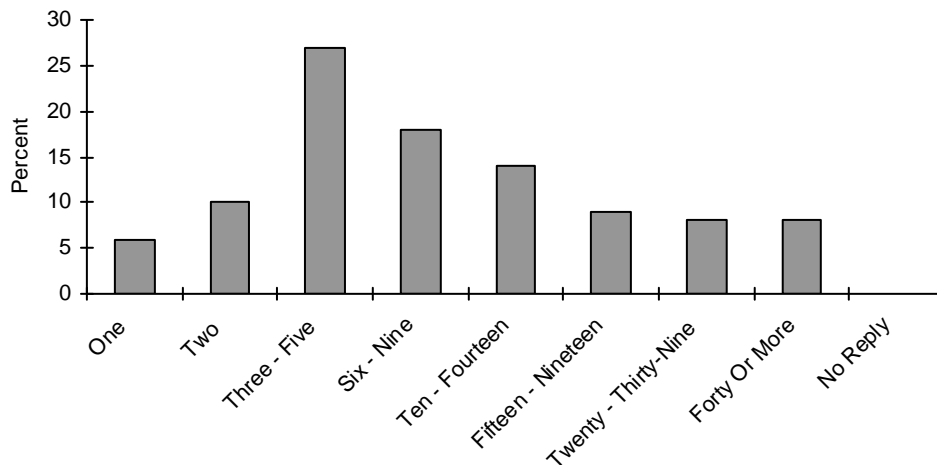
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Industry of Small Business



NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Number of Full and Part-Time Employees



NFIB RESEARCH FOUNDATION SMALL BUSINESS ECONOMIC SURVEY

SMALL BUSINESS SURVEY QUESTIONS

PAGE IN REPORT

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



| | |
|--|-----------|
| Are...loans easier or harder to get than they were three months ago? | 12 |
| During the last three months, was your firm able to satisfy its borrowing needs? | 13 |
| Do you expect to find it easier or harder to obtain your required financing during the next three months? | 13 |
| If you borrow money regularly (at least once every three months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid three months ago? | 14 |
| If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay? | 14 |
| During the last three months, did you increase or decrease your inventories? | 15 |
| At the present time, do you feel your inventories are too large, about right, or inadequate? | 15 |
| Looking ahead to the next three months to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them? | 15 |
| During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?..... | 16 |
| If [your firm made any capital expenditures], what was the total cost of all these projects? | 17 |
| Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?..... | 17 |
| What is the single most important problem facing your business today? | 18 |
| Please classify your major business activity, using one of the categories of example below. | 19 |
| How many employees do you have full and part-time, including yourself?..... | 19 |