



NFIB SMALL BUSINESS
ECONOMIC TRENDS

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December 2016

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	11 %	F	FA
Plans to Make Capital Outlays	2J%	I	I A
Plans to Increase Inventories	AN %	€	€A
Expect Economy to Improve	I €A	I	I I A
Expect Real Sales Higher	A 11 %	I	I A
Current Inventory	A 11 %	I	I A
Current Job Openings	A 2 J %	I	I A
Expected Credit Conditions	A 6 %	I	I A
Now a Good Time to Expand	G H %	F 2	F I A
Earnings Trends	-11 %	I	I A
Total Change		E €	F € A

(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

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 Director of Research and Policy Analysis Holly Wade are responsible for the report.

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SUMMARY

OPTIMISM INDEX

The Index of Small Business Optimism rose 7.4 points to 105.8, the highest reading since December 2004. Seven of the 10 Index components posted a gain, 2 declined and 1 was unchanged. Expectations for real sales gains and outlook for business conditions accounted for 73 percent of the gain. The percent of owners viewing the current period as a good time to expand is now triple the average level in the recovery. GDP related hiring and inventor investment showed little gain. Capital spending though, the laggard in this recovery, posted a strong advance, both in reported outlays and plans for spending in the first half. Job creation plans remained at the highest levels seen since 2007. Reports of compensation gains were robust while reports of higher prices, though the highest all year, were infrequent.

PRE- AND POST-ELECTION RESULTS

The December survey confirmed the euphoria observed in the post-election survey (November surveys postmarked after election day). The Optimism Index registered 95.4 in the pre-announcement days of November, only one-half a point better than October. After the announced election results, the Index jumped 7 points to 102.4 and then moved up again to 105.8 in December. The University of Michigan's consumer sentiment Index showed a similar response. Averaging a reading of 91 for the first 10 months of 2016, it jumped to 93.7 in November and 98.2 in December, the highest reading since January 2004.

Seventy-three percent of the gain in the Index was accounted for by more positive views about business conditions six months from December and improvements in real sales volumes. Improved views about the climate for expansion added another 15 percent, so more optimistic expectations account for 88 percent of the Index's improvement, indicating little improvement in the other seven components and more importantly in the measures directly related to economic growth. Job creation plans did improve 1 point reaching a nine-year high level. Plans to increase inventory investment were unchanged. But there was one piece of good news on this front, capital spending plans going forward bumped up 5 percentage points. Capital expenditures have been a real laggard in this recovery because the outlook for earning a decent after-tax return on the investment with low consumer sentiment on top of an avalanche of costly regulations and higher taxes was not good. The Federal Reserve responded to this problem with low interest rates, but that did not overcome the larger handicap.

If this optimism continues, it will translate into spending plans as in the case of capital spending plans in December and ultimately into reports of actual hiring, inventory spending and capital outlays. Trump and the republican Congress have the momentum, but maintaining it will likely be a challenge as the political process takes hold.

This survey was conducted in December 2016. A sample of 5,000 small-business owners/members was drawn. Six hundred and nineteen (619) usable responses were received – a response rate of 12 percent.



LABOR MARKETS

In spite of rising post-election optimism, reported job creation remained weak in December with the seasonally adjusted average employment change per firm posting a gain of 0.01 workers per firm, positive, but barely. Thirteen percent (up 1 point) reported increasing employment an average of 2.2 workers per firm and 9 percent (down 4 points) reported reducing employment an average of 4.6 workers per firm (seasonally adjusted).

Fifty-one percent reported hiring or trying to hire (down 7 points), but 44 percent reported few or no qualified applicants for the positions they were trying to fill. Twelve percent of owners cited the difficulty of finding qualified workers as their Single Most Important Business Problem (down 4 points).

Twenty-nine percent of all owners reported job openings they could not fill in the current period, down 2 points, but from November's highest reading in this recovery. This indicates that labor markets remain tight. Eleven percent reported using temporary workers, down 5 points, a surprising drop.

A seasonally adjusted net 16 percent plan to create new jobs, up 1 point and the strongest reading in the recovery.

Historically, the NFIB job openings data have been a strong predictor of the unemployment rate. The unemployment rate is expected to remain steady or perhaps rise if higher consumer sentiment encourages more labor force participation. High levels of job openings also suggest that job growth might be muted by hiring difficulties.

CAPITAL SPENDING

Sixty-three percent reported capital outlays, up 8 points from November and the highest reading since January 2013. Reports of expenditures tend to rise late in the year reflecting tax driven outlays (expensing), but this is a solid number even if weak compared to other expansions and is the second highest reading in the recovery. Of those making expenditures, 46 percent reported spending on new equipment (up 10 points), 23 percent acquired vehicles (down 2 points), and 17 percent improved or expanded facilities (up 2 points). Six percent acquired new buildings or land for expansion (up 1 point) and 13 percent spent money for new fixtures and furniture (unchanged). Overall, a nice pickup in spending.

The percent of owners planning capital outlays in the next 3 to 6 months jumped 5 points to 29 percent, the highest reading since December 2007, the peak of the last expansion but well below the high readings in the mid-90s of 40 percent. Seasonally adjusted, the net percent expecting better business conditions rose 38 percentage points to a net 50 percent, adding to the 19 point gain in November. The seasonally adjusted net percent expecting higher real sales rose 20 points to 31 percent of all owners, after a 10 point gain in November. This optimism appears to be transitioning into strong spending plans as well as increases in actual outlays, a component of growth that was missing in the recovery.



SALES

The net percent of all owners (seasonally adjusted) reporting higher nominal sales in the past three months compared to the prior three months improved 1 percentage point to a net negative 7 percent. The surge in consumer optimism did not produce a noticeable improvement in sales at small businesses, perhaps because of the growth of internet sales which might detract from retail holiday business.

Seasonally adjusted, the net percent of owners expecting higher real sales volumes rose 20 points, after a 10 point rise in November, to a net 31 percent of owners, the highest reading since October 2005 with a reading of 40 percent. The reduction of “policy anxiety” is surely responsible for some of the remarkable improvements in sales expectations and rising consumer sentiment. The expectation of important cost relief from deregulation and tax reform is strong among small business owners and consumers, all of which is yet to be accomplished and has a hard political road to travel. But the data indicate that business owners are indeed very optimistic.

INVENTORIES

The net percent of owners reporting inventory gains gained 6 points to a net 3 percent (seasonally adjusted), a rather strong report, as long as those inventories are built to meet rising consumer demand and not a result of weakening sales.

The net percent of owners viewing current inventory stocks as “too low” improved 1 point to a net negative 3 percent, still more feeling stocks are too high than too low. The surge in expected sales gains should absorb some of these “excess stocks”. The net percent of owners planning to add to inventory improved was unchanged a net 4 percent, a good number reflecting expected stronger demand.

INFLATION

The net percent of owners raising average selling prices was a net 6 percent (up 1 point). The net percent raising prices has been virtually 0 all year, but November and December presented opportunities for owners to raise prices a bit. Eleven percent of owners reported reducing their average selling prices in the past three months (down 1 point), and 13 percent reported price increases (down 1 point).

Seasonally adjusted, a net 24 percent plan price hikes up 5 points after a 4 point gain in November. Inflation requires an environment in which demand (spending) pushes against the ability of the economy to supply output. This does not describe most of the economy with the possible exception of housing where new construction seems to be lagging demand and, hence, more price increases (7 percent recently), substantial in some markets. House prices are not included directly in the price indices, so inflation there must find its way to the inflation measures through rising rents and the “owner occupied rental equivalent” computation which accounts for 40 percent of the CPI for example.



COMPENSATION AND EARNINGS

Reports of increased compensation rose 5 points to 26 percent, the second best reading in 2016. The market for “qualified” workers is clearly tight, as recovery high levels of owners categorize the lack of qualified workers as their top business problem. However, owners are having little success in passing higher labor costs along to customers as the frequency of reported price hikes remained low in comparison.

Earnings trends improved 6 points to a net negative 14 percent reporting quarter on quarter profit improvements. The inability of firms to raise prices limits the extent to which firms can raise worker compensation as they face shortages of some types of labor. But rising labor costs, due to shortages or more widely to government regulation, will continue to pressure the bottom line until demand is strong enough to support rising selling prices.

CREDIT MARKETS

Four percent of owners reported that all their borrowing needs were not satisfied, unchanged over the past few months. Twenty-nine percent reported all credit needs met (down 1 point), and 52 percent explicitly said they did not want a loan. However, including those who did not answer the question, presumably uninterested in borrowing, 67 percent of owners have no interest in borrowing. Record numbers of firms remain on the “credit sidelines”, seeing no good reason to borrow yet, in spite of the surge in optimism. As optimism is translated into spending plans, borrowing activity should pick up. Only 2 percent reported that financing was their top business problem compared to 21 percent citing taxes, 19 percent citing regulations and red tape, and 12 percent each the availability of qualified labor and weak sales.

Thirty percent of all owners reported borrowing on a regular basis (down 1 point). The average rate paid on short maturity loans declined 10 basis points to 5.5 percent. Overall, loan demand remains historically weak, owners not able find many good reasons to borrow and invest, even with abundantly cheap money. If the positive expectations for real sales and business conditions observed after the election prevail in the coming months, this trend may start to reverse.

The net percent of owners expecting credit conditions to ease in the coming months was a negative 6 percent. Interest rates are low, but prospects for putting borrowed money profitably to work have not improved enough to induce owners to step up their borrowing and spending appreciably. The “Trumpian surge” has yet to translate into spending plans to a significant degree.



COMMENTARY

In a wealthy economy with substantial discretion over the allocation of resources, expectations and sentiment can trigger substantial changes in “macroeconomic activity”. Some of our 300 million consumers can decide to spend a bit more if the future looks brighter. A larger number of our six million employer firms could decide to hire another worker to meet higher expected demand or expand their businesses to handle expected increases in sales. Just how much growth this can generate depends on the availability of unused capacity, in labor and production facilities and debt or capital funds. No doubt we can do better than 2 percent and, for short periods, 3 to 4 percent growth. Ultimately, job creation depends on economic growth, modified by the level of productivity.

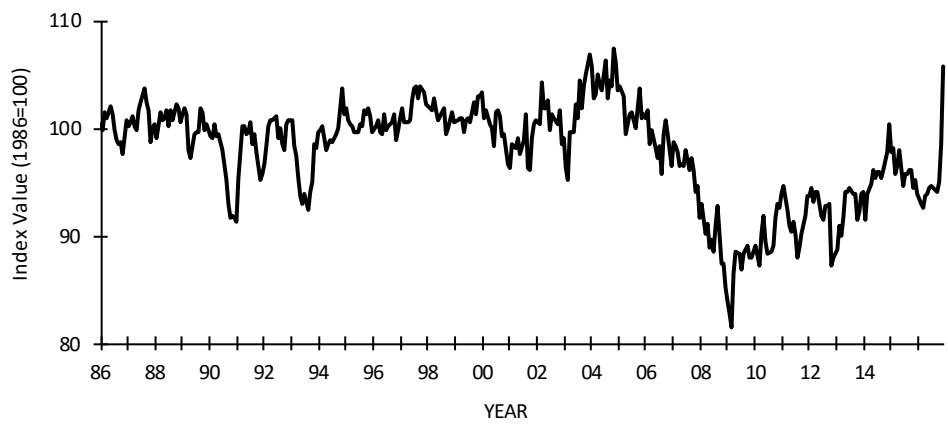
What is required is a sensible set of policies that do not squander our scarce resources. Virtually every business owner can identify regulations that have little or no apparent value but have high compliance costs, using up scarce capital and valuable management time. Politicians say they want to create jobs but their regulations and laws passed only increase the cost of hiring a worker, and that is not good for job creation. Economic policies designed to redistribute the pie do not grow the pie, indeed they shrink it by building dependency among some of the population and businesses who need the discipline of competition and the marketplace. Optimistic consumers and business owners are more likely to bet (spend and hire) on a future that seems to hold promise, but to maintain the enthusiasm, reality will play an important supporting role. The appearance of a new customer is much more powerful than the expectation of one. And actual results in Washington D.C. will be much more supportive than “hope and no good change” as we have discovered.



OVERVIEW - SMALL BUSINESS OPTIMISM

OPTIMISM INDEX

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



OPTIMISM INDEX

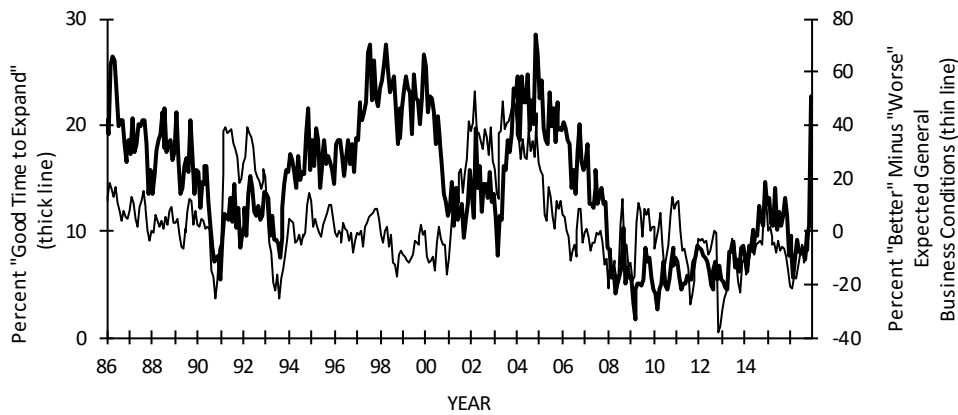
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	93.9	94.7	92.4	90.9	90.5	91.2	90.2	87.9	88.9	90.2	91.8	93.7
2012	93.7	94.5	93.1	94.2	94.0	91.9	91.5	92.7	92.7	93.0	87.2	88.0
2013	88.8	90.9	90.0	91.7	94.0	94.0	94.4	94.0	93.8	91.5	92.2	93.8
2014	94.0	91.6	94.0	94.8	96.2	95.4	96.0	95.9	95.3	96.0	97.8	100.3
2015	97.7	98.1	95.7	96.5	97.9	94.6	95.7	95.7	96.0	96.0	94.5	95.2
2016	93.9	92.9	92.6	93.6	93.8	94.5	94.6	94.4	94.1	94.9	98.4	105.8

SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions
January 1986 to December 2016
(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
2011	8	7	6	5	5	5	6	6	5	7	8	9
2012	9	8	8	8	7	6	5	5	6	7	6	7
2013	6	5	5	5	8	8	9	7	7	6	9	9
2014	8	6	9	9	10	8	10	10	12	11	11	15
2015	13	13	11	11	14	10	12	11	11	13	12	8
2016	10	8	6	8	9	8	8	9	7	9	11	23

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
December 2016

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	5	17	17
Sales Prospects	3	4	4
Fin. & Interest Rates	1	1	1
Cost of Expansion	0	3	4
Political Climate	12	3	14
Other/Not Available	0	3	6

OUTLOOK FOR GENERAL BUSINESS CONDITIONS

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

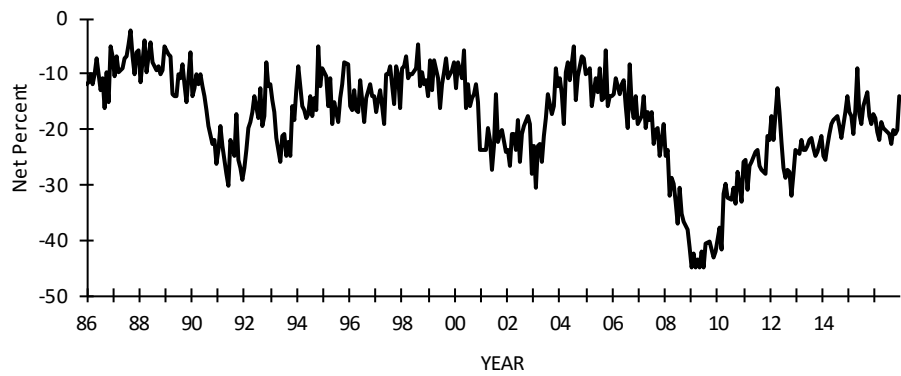
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	10	12	0	-7	-6	-10	-14	-28	-24	-18	-15	-9
2012	-3	-3	-3	-4	-3	-9	-7	-4	0	0	-38	-36
2013	-30	-25	-23	-14	-6	-3	-5	-4	-12	-19	-23	-12
2014	-11	-16	-13	-8	-1	-9	-5	-5	-4	-5	10	12
2015	0	2	-2	-5	-4	-8	-3	-8	-6	-6	-10	-15
2016	-21	-21	-17	-18	-13	-9	-5	-12	0	-7	12	50



SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to December 2016
(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
2011	-26	-26	-31	-27	-26	-24	-24	-27	-27	-28	-28	-21
2012	-22	-18	-22	-13	-17	-22	-27	-29	-27	-28	-32	-28
2013	-24	-25	-22	-24	-24	-23	-22	-22	-23	-25	-24	-21
2014	-25	-26	-23	-21	-19	-18	-18	-18	-19	-22	-17	-14
2015	-17	-18	-21	-17	-9	-17	-19	-16	-13	-18	-19	-17
2016	-18	-21	-22	-19	-20	-20	-21	-23	-20	-21	-20	-14

MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
December 2016

	Current Month	One Year Ago	Two Years Ago
Sales Volume	14	13	10
Increased Costs*	7	8	10
Cut Selling Prices	3	5	4
Usual Seasonal Change	4	5	6
Other	4	3	3

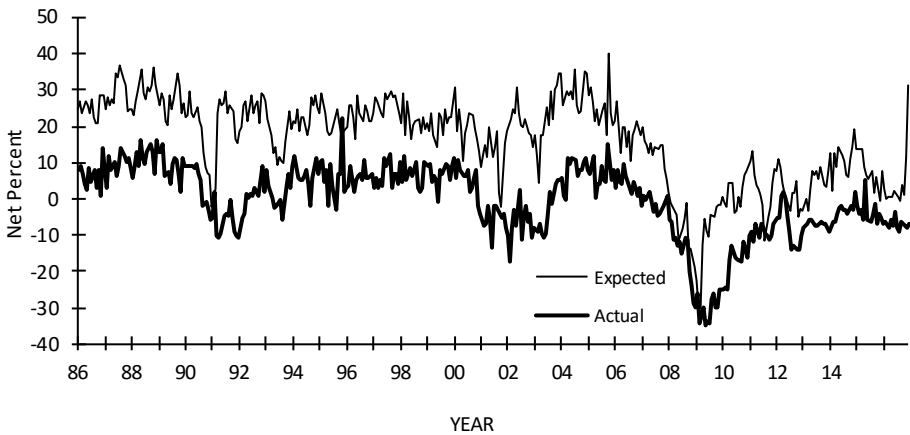
* Increased costs include labor, materials, finance, taxes, and regulatory costs.



SMALL BUSINESS SALES

SALES

Actual (Prior Three Months) and Expected (Next Three Months)
January 1986 to December 2016
(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
2011	-10	-9	-12	-7	-11	-7	-8	-10	-10	-11	-10	-7
2012	-5	-5	1	2	0	-5	-9	-14	-13	-14	-14	-10
2013	-8	-7	-7	-6	-6	-8	-7	-7	-6	-7	-7	-8
2014	-9	-6	-6	-4	-3	-2	-3	-3	-4	-2	-3	2
2015	-2	-4	-3	-6	5	-6	-6	-4	-1	-7	-4	-5
2016	-7	-6	-8	-6	-8	-4	-8	-9	-6	-7	-8	-7



SALES EXPECTATIONS

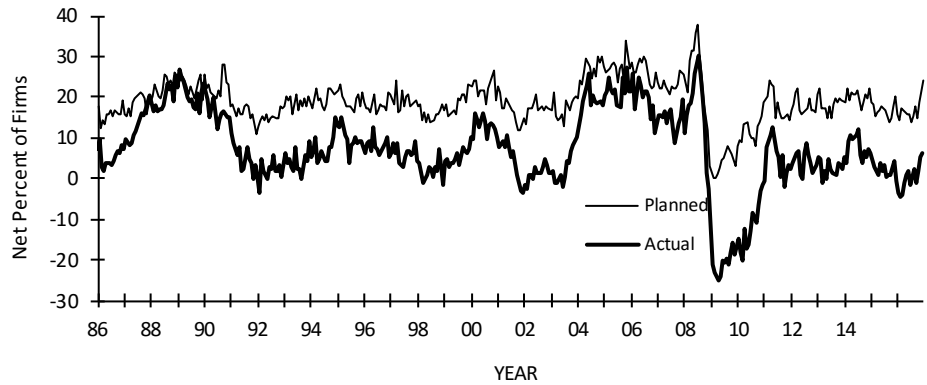
Net Percent (“Higher” Minus “Lower”) During Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	11	13	7	4	3	1	-2	-12	-5	-2	4	8
2012	8	11	9	5	2	-2	-4	2	2	5	-5	-3
2013	-3	0	-3	3	8	6	8	6	9	4	3	7
2014	13	2	13	9	15	12	11	7	6	11	14	19
2015	14	14	14	9	7	5	7	8	2	6	-1	7
2016	3	0	1	1	1	2	1	-1	4	1	11	31

SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
January 1986 to December 2016
(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
2011	-1	8	9	11	13	7	5	1	6	-2	1	3
2012	2	4	6	7	1	0	6	9	6	4	1	3
2013	5	5	-1	2	0	5	2	2	1	4	3	2
2014	5	4	9	11	10	11	12	6	4	7	5	7
2015	6	3	2	1	4	2	3	1	1	1	4	-1
2016	-4	-4	-4	-1	1	2	-2	3	-1	2	5	6

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
2011	19	20	24	23	23	15	19	16	15	15	16	14
2012	17	18	21	22	17	16	17	17	20	17	17	16
2013	21	22	17	17	15	18	15	18	20	19	20	19
2014	19	22	19	21	21	21	22	19	17	21	20	22
2015	19	18	15	16	17	18	17	15	14	15	18	20
2016	16	14	17	16	16	16	14	15	18	15	19	24



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
2011	-4	-3	-1	-2	-1	-5	-4	-6	-5	-2	1	-1
2012	0	-3	0	0	-3	-1	-1	-2	-3	-1	-2	-4
2013	2	-3	1	2	-1	1	-3	0	0	1	1	2
2014	2	2	2	2	1	1	1	0	3	1	1	7
2015	5	4	2	2	4	0	0	6	5	0	0	-1
2016	1	-3	0	-1	-1	-2	-2	-3	3	0	-2	4

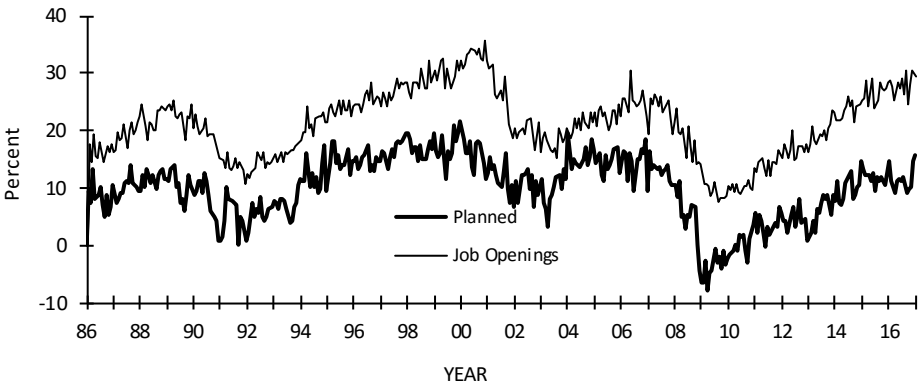
QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	42	41	40	44	38
2014	38	40	41	41	46	43	42	46	42	45	45	43
2015	42	47	42	44	47	44	48	48	45	48	47	48
2016	45	42	41	46	48	48	46	48	48	48	52	44

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to December 2016
(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
2011	13	15	15	14	12	15	12	14	14	14	17	15
2012	18	17	15	17	20	15	15	17	17	16	18	16
2013	18	21	18	18	19	19	20	18	20	21	24	23
2014	22	22	22	24	24	26	24	25	21	24	25	25
2015	26	29	24	27	29	24	25	28	27	27	28	28
2016	29	28	25	29	27	29	26	30	24	28	31	29

HIRING PLANS

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

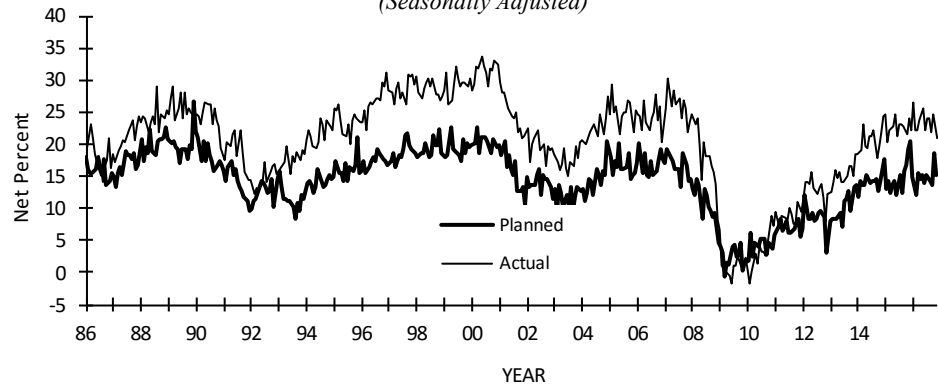
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	2	5	4	2	0	3	2	3	4	3	7	6
2012	4	4	2	5	7	3	5	8	4	4	5	1
2013	2	4	2	6	6	7	9	8	9	5	9	8
2014	11	7	7	8	11	12	13	8	9	10	11	15
2015	13	12	12	11	13	9	12	11	12	11	11	15
2016	11	10	9	11	12	11	12	9	10	10	15	16



SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to December 2016
(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
2011	10	8	7	9	9	8	10	9	8	8	11	9
2012	12	14	14	14	16	13	12	13	14	12	8	12
2013	13	14	16	15	16	14	14	15	17	17	15	18
2014	19	19	23	20	20	21	21	22	18	20	22	24
2015	25	20	22	23	25	21	23	23	23	22	24	22
2016	27	22	22	24	26	22	24	24	22	25	21	26

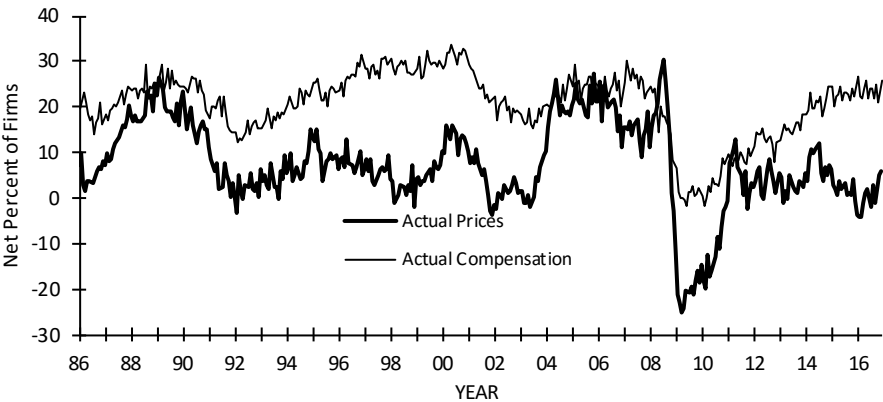
COMPENSATION PLANS

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	6	7	9	7	7	8	6	6	7	8	8	6
2012	7	12	9	9	9	8	8	9	10	9	3	6
2013	8	8	9	9	9	7	11	11	13	10	13	14
2014	12	14	14	14	15	14	14	14	15	13	14	18
2015	13	14	13	14	14	12	15	12	16	17	19	21
2016	15	12	16	15	15	14	15	14	14	19	15	20

PRICES AND LABOR COMPENSATION

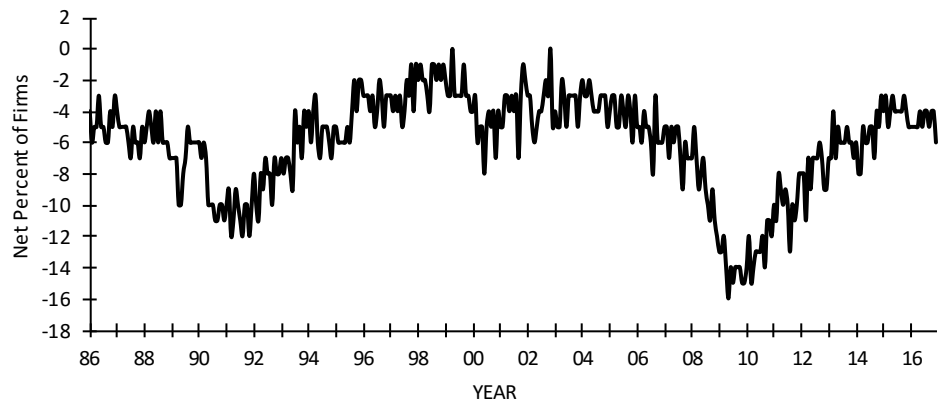
Net Percent Price Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to December 2016



* 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
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	28	30	28	29	30
2014	31	30	31	30	31	28	30	29	31	28	33	31
2015	33	30	32	30	29	31	30	33	29	28	27	31
2016	33	31	32	29	29	29	28	29	32	28	31	30



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
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	-6	-5	-6	-6	-7
2014	-6	-8	-8	-5	-6	-6	-5	-5	-7	-4	-5	-3
2015	-4	-3	-5	-4	-3	-4	-4	-4	-4	-3	-4	-5
2016	-5	-5	-5	-5	-4	-5	-4	-4	-5	-4	-4	-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
(All Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	31/5	28/6	28/6	32/4	32/4
2014	31/5	29/5	30/5	30/5	30/5	27/6	30/6	28/4	28/6	29/4	29/4	32/4
2015	32/4	33/3	35/5	31/4	30/4	32/5	32/4	33/3	30/2	30/3	32/3	32/4
2016	35/3	31/4	31/5	31/4	31/4	32/5	30/3	29/4	32/6	29/4	30/4	29/4

EXPECTED CREDIT CONDITIONS

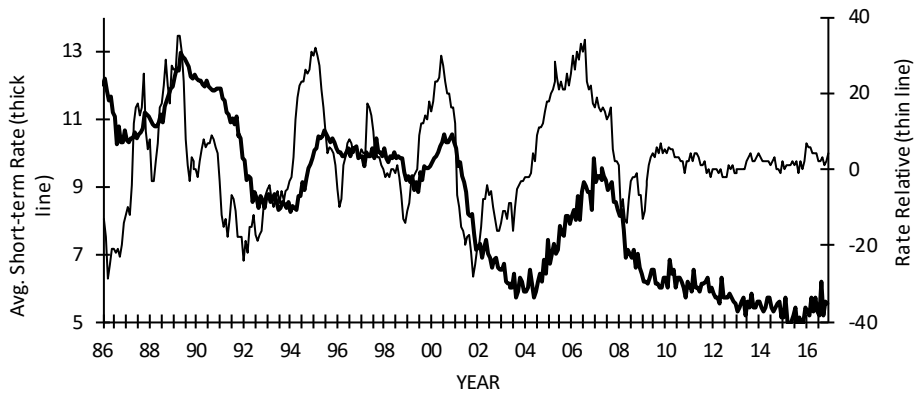
Net Percent (“Easier” Minus “Harder”) During Next Three Months
(Regular Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	-8	-7	-8	-7	-7
2014	-7	-7	-7	-6	-7	-7	-5	-5	-7	-5	-6	-5
2015	-5	-4	-6	-4	-4	-4	-5	-7	-6	-5	-4	-6
2016	-7	-7	-6	-6	-6	-6	-5	-5	-7	-6	-5	-6



INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to December 2016



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
2011	2	4	2	4	4	3	1	1	2	-1	0	-2
2012	0	0	0	-1	0	-2	-2	-2	1	0	1	-1
2013	-1	0	0	0	0	0	2	3	4	2	2	3
2014	4	3	2	2	2	2	1	2	3	0	0	-1
2015	2	0	1	1	1	2	1	2	-1	2	0	2
2016	7	6	6	4	4	4	2	2	3	1	2	4

Borrowing at Least Once Every Three Months.

ACTUAL INTEREST RATE PAID ON
SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

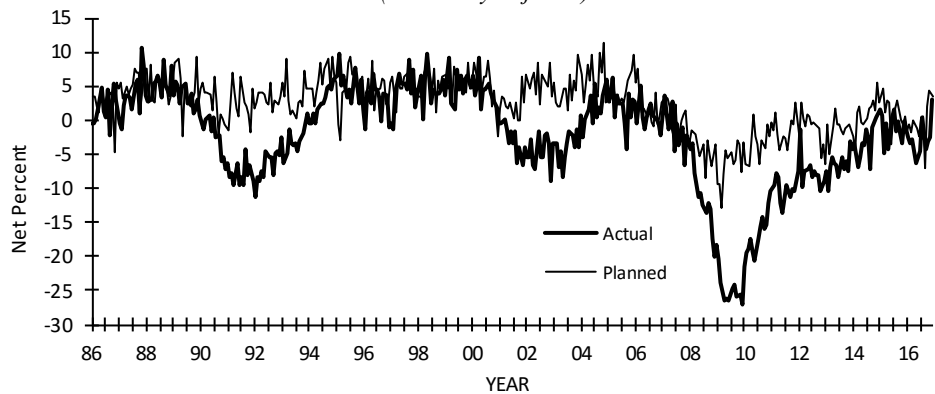
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	6.0	6.0	5.9	6.5	6.0	6.0	5.9	6.1	6.1	6.2	6.3	5.9
2012	6.0	5.8	5.7	5.7	5.5	6.3	5.7	5.7	5.7	5.8	5.7	5.6
2013	5.5	5.3	5.4	5.6	5.7	5.2	5.6	5.4	5.8	5.4	5.4	5.6
2014	5.6	5.4	5.3	5.4	5.7	5.7	5.4	5.3	5.4	5.5	5.6	5.1
2015	5.3	5.1	5.7	5.0	4.8	5.0	5.2	5.4	4.8	5.1	4.7	5.0
2016	5.4	5.3	5.2	5.7	5.3	5.7	5.3	5.2	6.2	5.2	5.6	5.5



SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January 1986 to December 2016
(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
2011	-10	-9	-8	-9	-12	-14	-12	-10	-11	-10	-11	-9
2012	-7	-1	-10	-8	-7	-7	-9	-8	-8	-8	-11	-9
2013	-7	-10	-7	-6	-6	-7	-9	-6	-7	-6	-8	-3
2014	-4	-3	-7	-6	-3	-4	-2	-3	-7	-1	1	1
2015	2	1	-5	-1	-4	0	2	-2	0	-2	-4	0
2016	-2	-3	-3	-5	-6	-6	-5	0	-4	-3	-3	3

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
2011	0	2	-3	0	-2	-1	0	1	-1	0	0	2
2012	1	2	2	-1	-1	0	0	0	-1	0	-1	2
2013	-1	1	-3	-3	1	-2	-1	0	0	-5	-3	-4
2014	-2	-5	-2	-2	-3	-2	-3	-2	0	-3	-2	-2
2015	-1	-3	-7	-2	-1	-4	-6	-6	-5	-4	-5	-4
2016	-2	-2	-5	-5	-4	-4	-4	-2	-7	-4	-4	-3

INVENTORY PLANS

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

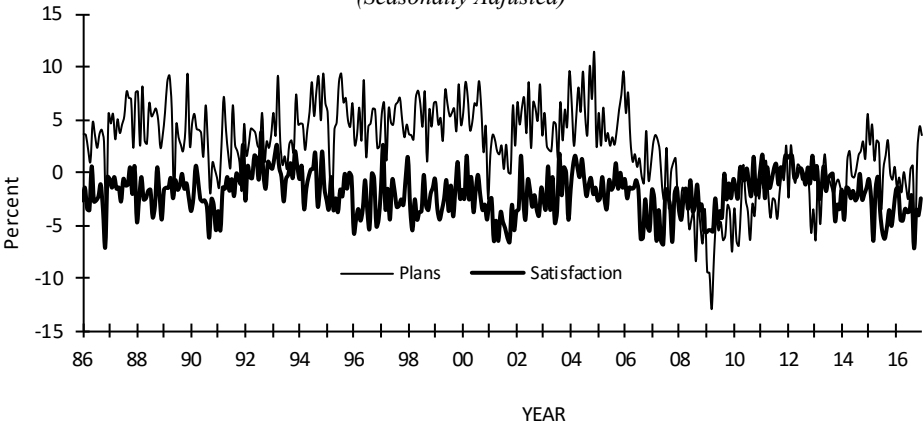
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011	0	-2	1	-2	-4	-3	-3	-4	-2	0	-1	3
2012	-2	3	0	-1	1	1	-1	0	-1	-1	-6	-4
2013	-6	-1	-5	-1	2	-1	-1	-1	-2	-1	-1	-2
2014	-2	-5	1	2	0	-1	0	2	2	3	1	6
2015	3	5	1	3	3	-4	0	2	3	0	-1	1
2016	-1	-1	-2	0	-1	-3	0	1	-7	2	4	4



SMALL BUSINESS CAPITAL OUTLAYS

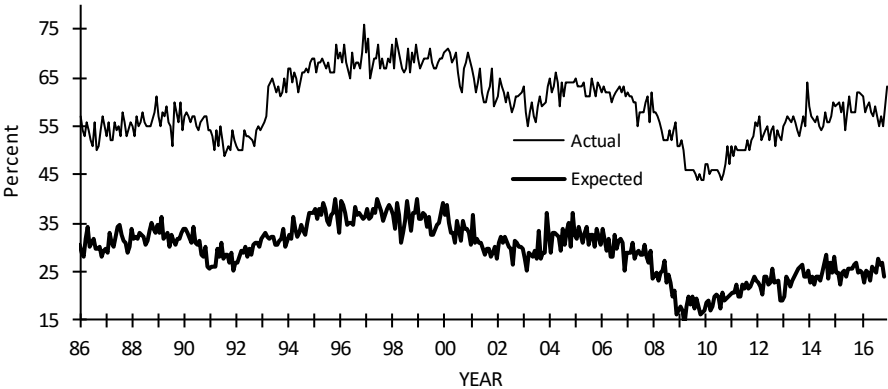
INVENTORY SATISFACTION AND INVENTORY PLANS

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 2016
(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
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	53	55	57	55	64
2014	59	57	56	57	55	54	55	58	56	56	57	60
2015	59	60	58	60	54	58	61	58	58	58	62	62
2016	61	58	59	60	58	57	59	57	55	57	55	63



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	23	26	23
Equipment	46	41	42
Furniture or Fixtures	13	11	16
Add. Bldgs. or Land	6	8	8
Improved Bldgs. or Land	17	18	16

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	9	9	9
\$5,000 to \$9,999	7	5	5
\$10,000 to \$49,999	21	19	21
\$50,000 to \$99,999	10	11	10
\$100,000 +	13	14	12
No Answer	0	1	0



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
2011	21	21	22	20	20	22	22	23	22	22	24	23
2012	23	22	20	24	24	22	23	26	23	23	19	19
2013	20	24	23	22	23	24	25	26	27	24	24	25
2014	23	24	22	24	24	23	25	29	24	27	25	28
2015	25	25	22	25	25	24	26	26	27	27	25	25
2016	25	23	25	25	23	26	25	28	27	27	24	29

SINGLE MOST IMPORTANT PROBLEM

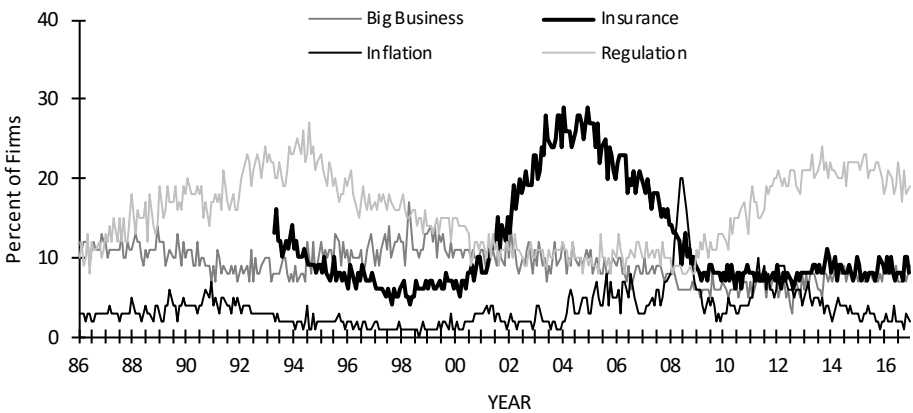
SINGLE MOST IMPORTANT PROBLEM

December 2016

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	21	22	32	8
Inflation	2	2	41	0
Poor Sales	12	11	34	2
Fin. & Interest Rates	2	2	37	1
Cost of Labor	5	5	9	2
Govt. Regs. & Red Tape	19	20	27	4
Comp. From Large Bus.	9	7	14	4
Quality of Labor	12	15	24	3
Cost/Avail. of Insurance	8	9	29	4
Other	10	7	31	1

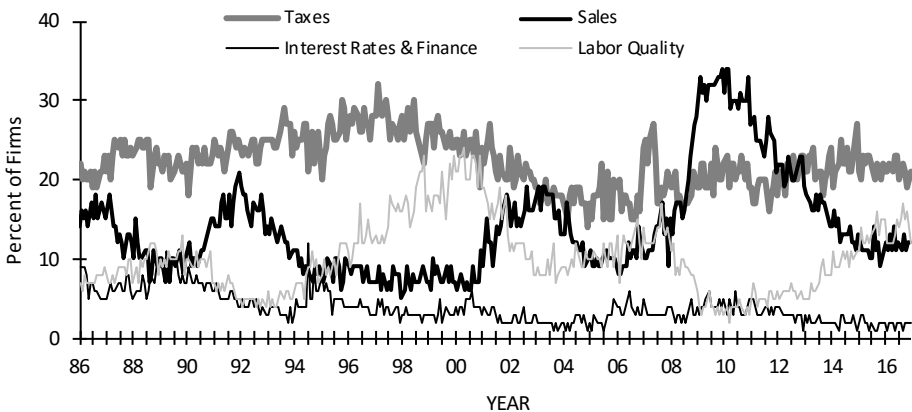
SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation
January 1986 to December 2016



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality
January 1986 to December 2016



SURVEY PROFILE

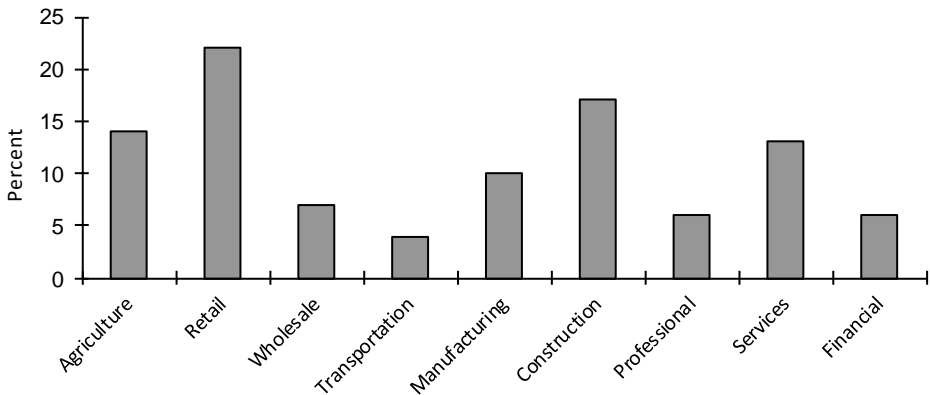
OWNER/MEMBERS PARTICIPATING IN
ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	782	773	1940	762	635
2014	1864	792	685	1699	678	672	1645	598	608	1502	615	568
2015	1663	716	575	1500	616	620	1495	656	556	1411	601	509
2016	1438	756	727	1644	700	735	1703	730	723	1702	724	619

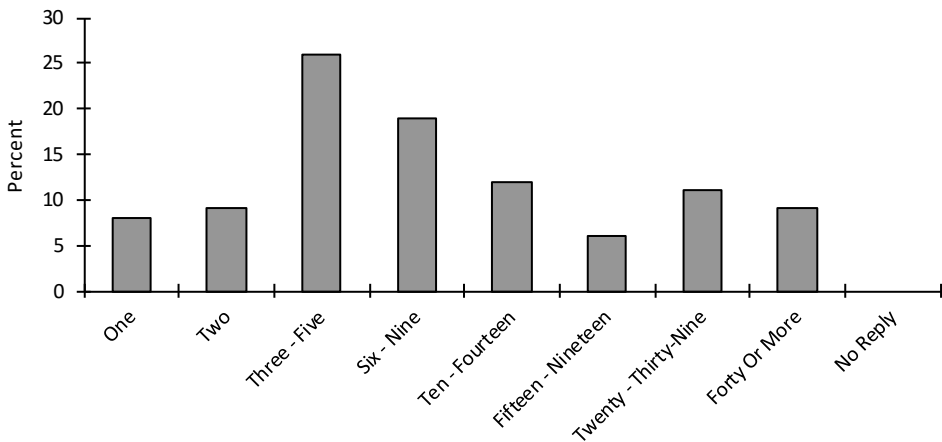
NFIB OWNER/MEMBERS PARTICIPATING
IN ECONOMIC SURVEY

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?	6
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?	7
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?	8
If higher or lower, what is the most important reason?	8
During the last calendar quarter, was your dollar sales volume higher, lower, or about the same as it was for the quarter before?	9
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?	9
How are your average selling prices compared to three months ago?	10
In the next three months, do you plan to change the average selling prices of your goods and/or services?	10
During the last three months, did the total number of employees in your firm increase, decrease, or stay about the same?	11
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)?	11
Do you have any job openings that you are not able to fill right now?	12
In the next three months, do you expect to increase or decrease the total number of people working for you?	12
Over the past three months, did you change the average employee compensation?	13
Do you plan to change average employee compensation during the next three months?	13



SMALL BUSINESS SURVEY QUESTIONS	PAGE IN REPORT
Are...loans easier or harder to get than they were three months ago?	14
During the last three months, was your firm able to satisfy its borrowing needs?	15
Do you expect to find it easier or harder to obtain your required financing during the next three months?	15
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?	16
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?	16
During the last three months, did you increase or decrease your inventories?	17
At the present time, do you feel your inventories are too large, about right, or inadequate?	17
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?	17
During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?	18
If [your firm made any capital expenditures], what was the total cost of all these projects?	19
Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?	19
What is the single most important problem facing your business today?	20
Please classify your major business activity, using one of the categories of example below	21
How many employees do you have full and part-time, including yourself?	21

