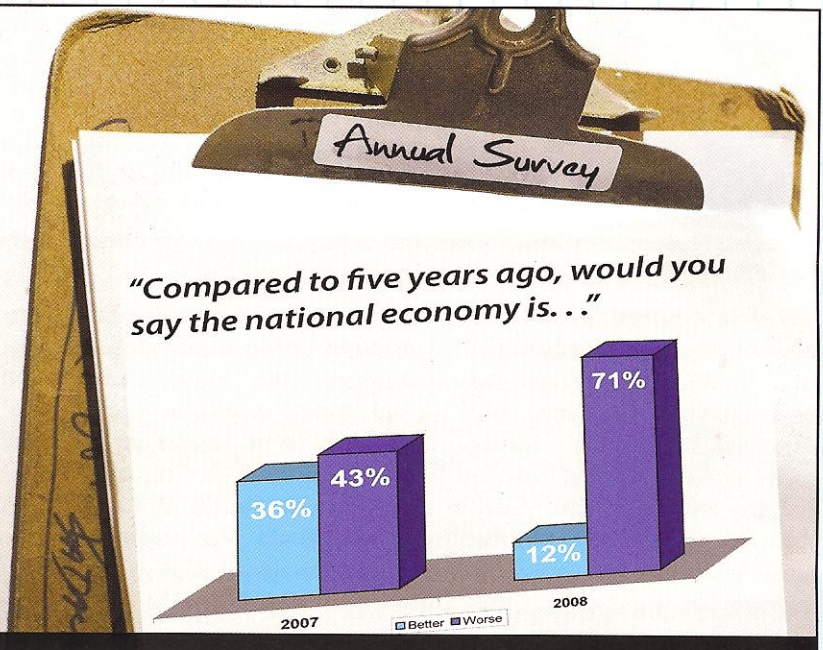


N<sup>1</sup>S<sup>1</sup>B<sup>2</sup>A<sup>2</sup>  
 S<sup>1</sup>U<sup>2</sup>R<sup>2</sup>V<sup>2</sup>E<sup>2</sup>Y<sup>2</sup>  
 R<sup>2</sup>E<sup>2</sup>S<sup>1</sup>U<sup>2</sup>L<sup>2</sup>S<sup>2</sup>

## Economic Outlook Lowest in 15 Years

By Molly Brogan



America's small businesses are waving the yellow flag, according to new survey data from NSBA. The past year has not been a good one for the small-business economy, and projections for the next twelve months are even less optimistic. The number-one issue on most small-business owners' minds: the economy.

"Our survey shows plain and clear how the economic slowdown is affecting small business. When asked last year about their economic outlook, a majority of small-business owners responded positively," stated NSBA President Todd McCracken. "This year, a whopping 71 percent have a negative outlook on the economy—clearly small business is feeling the pinch."

The 2008 NSBA Survey of Small and Mid-Sized Business—released mid-April—provides an in-depth look at the state of the small-business community, as well as small-business owners' opinions on a broad range of topics including economic outlook, financing, employee benefits, energy costs and the upcoming elections. The survey was conducted by Public Opinion Strategies on behalf of NSBA Feb. 15 - 25, 2008, and used a representative sampling of the U.S. small-business community.

### ECONOMIC OUTLOOK

Small businesses are buckling down, with nearly a quarter reporting no growth strategies planned for the coming year.

Sales and profits are down, and fewer jobs are being created in 2008 than at any period since 1993 when the survey began.

Nearly half of all business owners (45 percent) expect a recession in the next year, while the same number expect a flat economy. Just nine percent say they anticipate economic expansion. Fifty percent of those surveyed say "economic uncertainty" is one of the most significant challenges they face to the growth and survival of their business, with the cost of health insurance (35 percent) and lack of available capital (32 percent) rounding out the top three.

When asked whether they have experienced in the last year, or expect in the next year, changes in gross sales revenue, net profits, number of employees, and employee compensation, responses were very conservative. Sales and profits are down, and fewer jobs are being created in 2008 than at any period over the last 15 years during which this survey has been conducted. Equally as concerning, the outlook of business owners for the next twelve months is less optimistic that at any point since 1993. Fewer companies report expectations for increases in sales or profits, and fewer than one out of four companies expect to bring on more employees.

On a slightly more encouraging note, small-business owners remain confident in their own futures. Seventy percent (70 percent) of all business owners say they

are confident in the future of their business. However, this does mark a noteworthy drop from last year, when 81 percent of business owners said they were confident in their business' future. Unfortunately, that confidence is not shared equally, with only 64 percent of companies with four or fewer employees expressing confidence in their future.

"While the 2008 NSBA Small Business Survey finds that small businesses have a very negative outlook about the economy as a whole, they remain somewhat optimistic about their own prospects," said Glen Bolger, partner and co-founder of Public Opinion Strategies. "This tracks closely with what we'd expect to see from self-starting entrepreneurs."

### FINANCING

Businesses of all sizes are feeling the impact of the credit crunch, more than half said they have faced difficulty securing credit over the last year. Despite the increasing difficulty, 70 percent of companies surveyed say they are able to obtain adequate financing, which is essentially no different from 2007. However, America's smallest companies do face bigger hurdles – over one-third (35 percent) of companies with four or fewer employees say they cannot get the financing they need.

In a trend befitting the last six to eight years, credit cards continue to be one of

the primary sources of financing for small businesses. Forty-four percent of small businesses have used a credit card in the last twelve months to help finance their capital needs. Smaller companies are the most reliant on credit cards—of those companies earning between \$100,000 and \$500,000, 55 percent rely on credit cards for needed capital. Credit cards continue to be the largest primary source of financing for small businesses, yet 57 percent report that their credit card terms are worsening.

Fifty-four percent of small businesses have some type of business loan. To leverage these loans, business owners look to credit cards, personal savings, and their homes as primary sources. Certainly, if capital were more widely available, companies would be making new investments. Seventy-two percent of respondents said they would make changes to their company if they had additional capital. The top three changes they would make

would make are investing in advertising, hiring additional employees, and investing in a new plant or equipment.



**EMPLOYEE BENEFITS**

Economic conditions also take a toll on employee compensation and benefits, and small businesses have struggled in the past year to keep up with the benefits workers want. Seven out of ten small-business owners cite health insurance as the most important benefit to prospective employees, yet only 25 percent of companies with four or fewer employees is able to offer it.

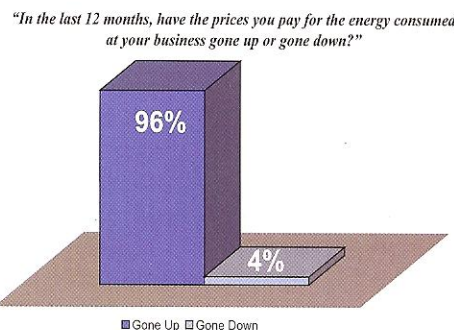
Overall, the significant trend of fewer companies offering health benefits continues. In the 2000 survey, 51 percent of companies surveyed were offering a health benefit. That number dropped to 41 percent in 2007, and to a low of 38 percent in 2008. For the larger small businesses which are more likely to provide a health benefit, 71 percent are aggressively seeking ways to trim costs, including passing more of the costs on to their employees, or changing policies to ones with higher deductibles and co-pays.

While small-business owners want the issue of health care to be addressed, 70 percent reject the idea of an employer mandate, and instead prefer (66 percent) an individual mandate.

**ENERGY COSTS**

Energy prices are also placing a heavy toll on America's small businesses. Spikes in energy costs have negatively impacted 77 percent of small-business owners. In response to those rising costs, 37 percent of businesses have increased

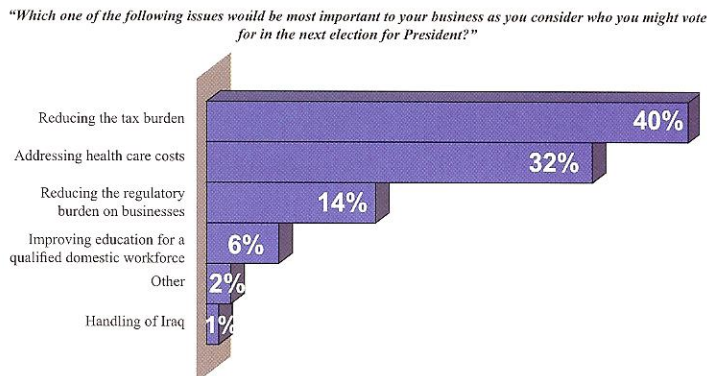
their prices and 33 percent have reduced their business travel. Despite the following responses being statistically lower, even more alarming is the fact that energy costs have forced 10 percent of small businesses to reduce their workforce, and 11 percent to cut their production schedule. The one silver-lining to the increased energy costs is the fact that 18 percent of companies impacted have taken steps to invest in more energy efficient equipment or upgrades.



**UPCOMING ELECTIONS**

When asked about politics, respondents identified reducing the tax burden (40 percent) as their number one issue in the presidential elections, followed by health care costs (32 percent). The split between Democrats and Republicans also appears to be narrowing—in 2007, 54 percent identified as Republican whereas in 2008, 48 percent identify as Republican. Respondents identifying as Independent saw a spike of four points while Democrats gained three points from 2007.

Reducing the tax burden ranked number one among Republicans and Independents and number two among Democrats, while addressing health care costs ranked number one for Democrats. Reducing the regulatory burden on small business came in a strong third for all three groups.



NSBA has been conducting this survey since 1993, and it continues to be an important resource on the small-business community. For more information, please visit the NSBA Web site at <http://www.nsba.biz/docs/2008bizsurvey.pdf> to view the full survey results. ★