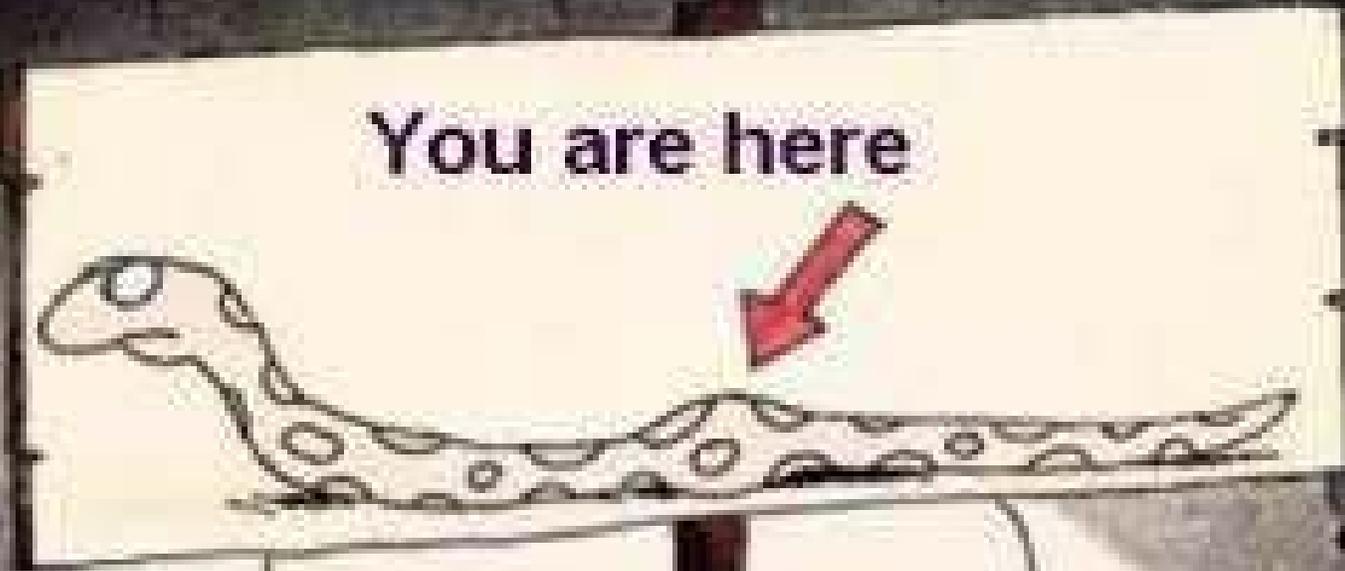


THE SMALL BUSINESS ECONOMY

BILL DUNKELBERG
NFIB RESEARCH CENTER

NEW JERSEYBANKERS
CEO CONFERENCE





TWO WAYS OUT, NEITHER DESIRABLE

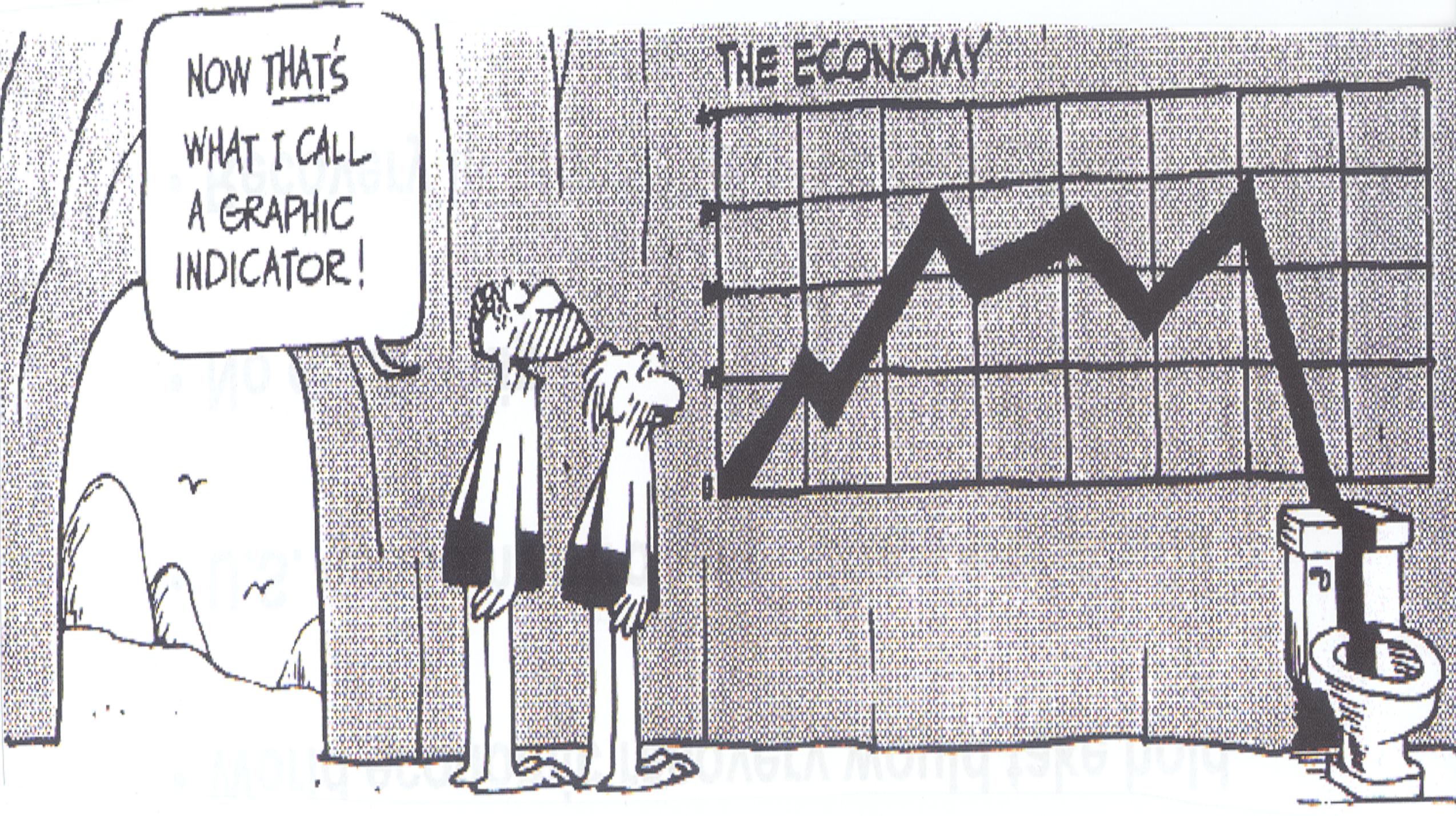
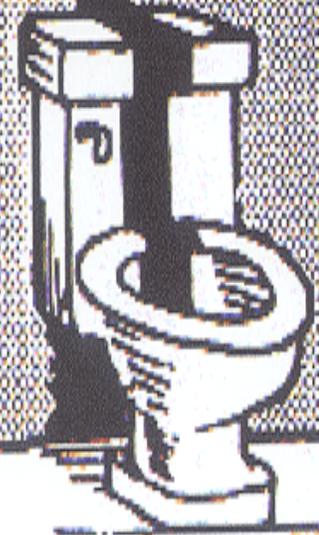
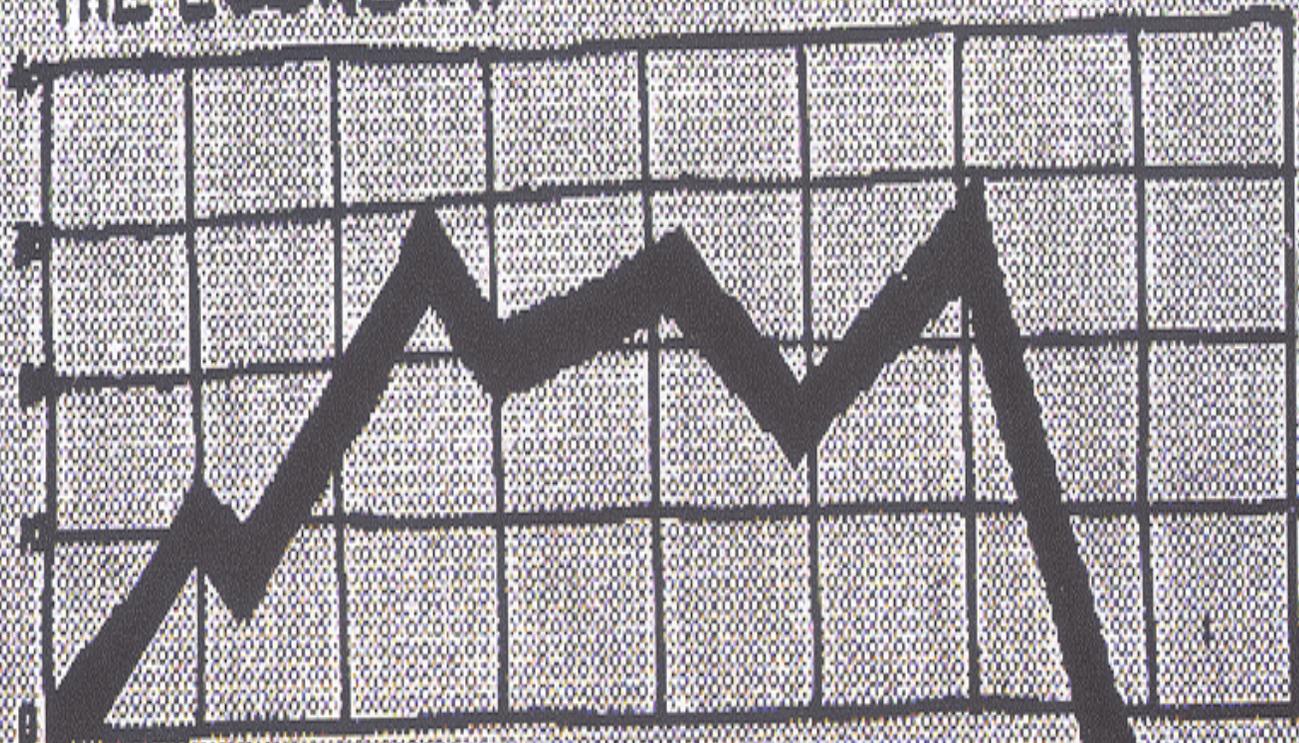
WE SHOULD HAVE KNOWN
BETTER THAN TO ASK
ECONOMISTS FOR DIRECTIONS.

Gay Adams



NOW THAT'S
WHAT I CALL
A GRAPHIC
INDICATOR!

THE ECONOMY





President

Democrats



Republicans



State

Politicians



American

People

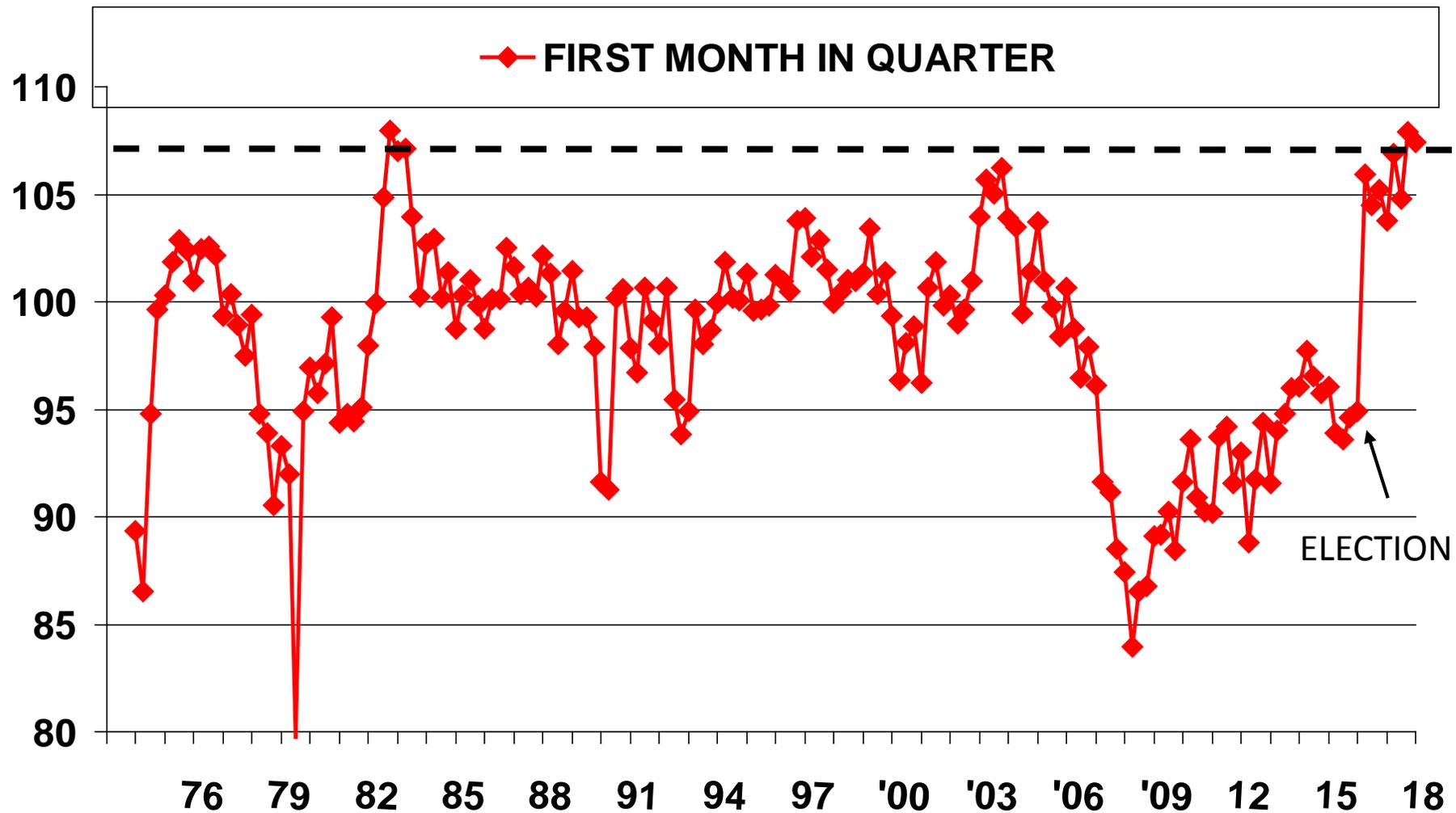
2016 Small Business Problems and Priorities

Rank	Problem	% critical	2012 Rank
1	Cost of Health Insurance	52	1
2	Unreasonable Government Regulations	33	5
3	Federal Taxes on Business Income	29	6
4	Uncertainty over Economic Conditions	26	2
5	Tax Complexity	27	7
6	Uncertainty over Government Actions	26	4
7	Frequent Changes in Federal Tax Laws	21	8
8	Property Taxes	23	9
9	State Taxes on Business Income	23	10
10	Locating Qualified Employees	24	32



SMALL BUSINESS OPTIMISM INDEX

(QUARTERLY, 1986 = 100)

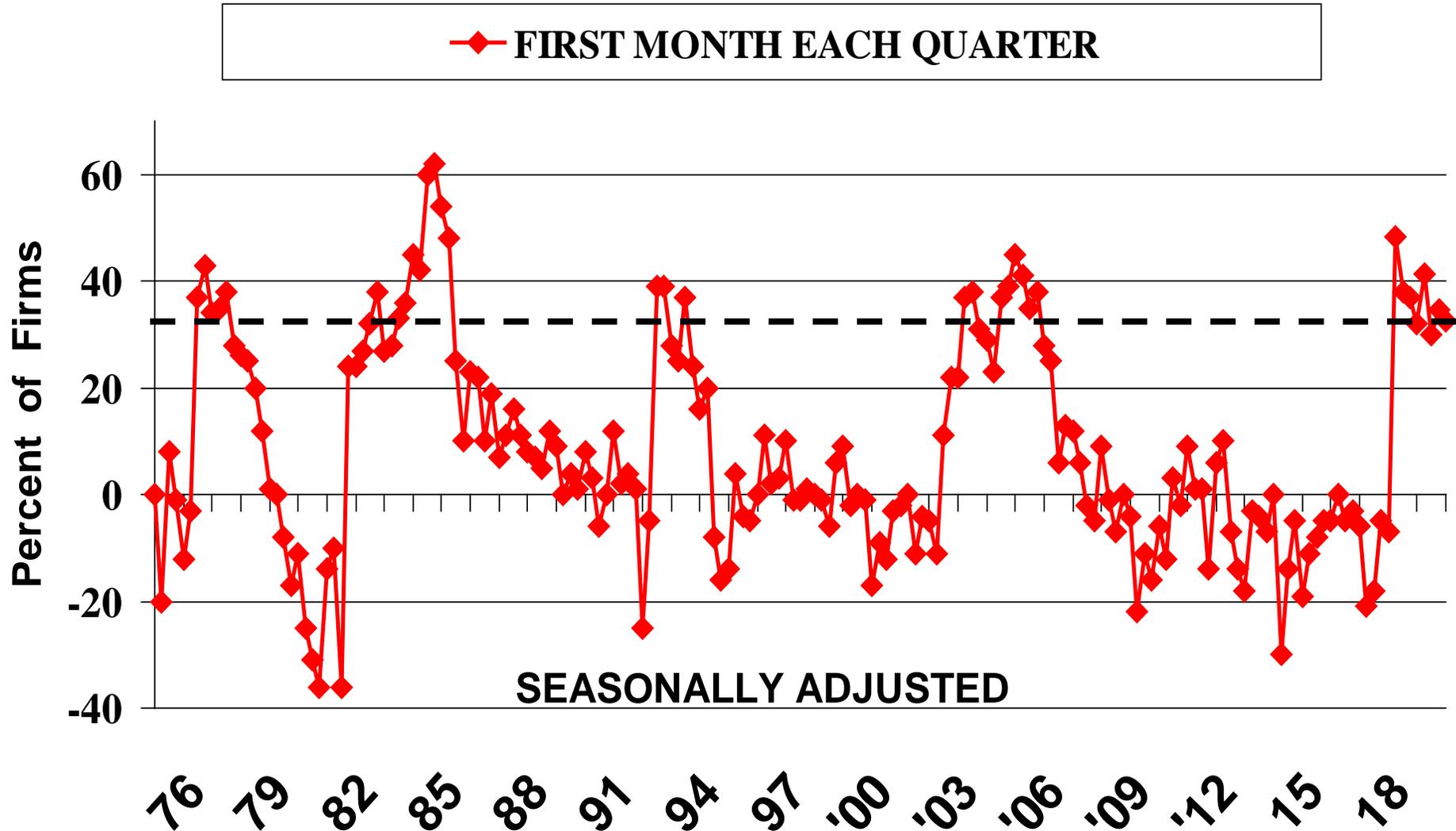


Small Business Optimism Index and Components

	<u>October</u>	<u>November</u>	Pre-Election	Post-Election	<u>December</u>	<u>January</u>
Job Creation Plans	10%	15%	9%	23%	16%	18%
Job Openings	28%	31%	31%	30%	29%	31%
Credit Expectations	-6%	-5%	-4%	-5%	-6%	-6%
Expected Business Conditions	-7%	12%	-6%	38%	50%	50%
Sales Expectations	1%	11%	4%	20%	31%	29%
Earnings Trends	-21%	-20%	-25%	-16%	-14%	-12%
Inventory Satisfaction	-4%	-4%	-3%	-6%	-3%	-5%
Inventory Plans	2%	4%	4%	4%	4%	2%
Good Time to Expand	9%	11%	11%	11%	23%	25%
Capital Expenditure Plans	27%	24%	25%	23%	29%	27%
Optimism Index	94.9	98.4	95.4	102.4	105.8	105.9

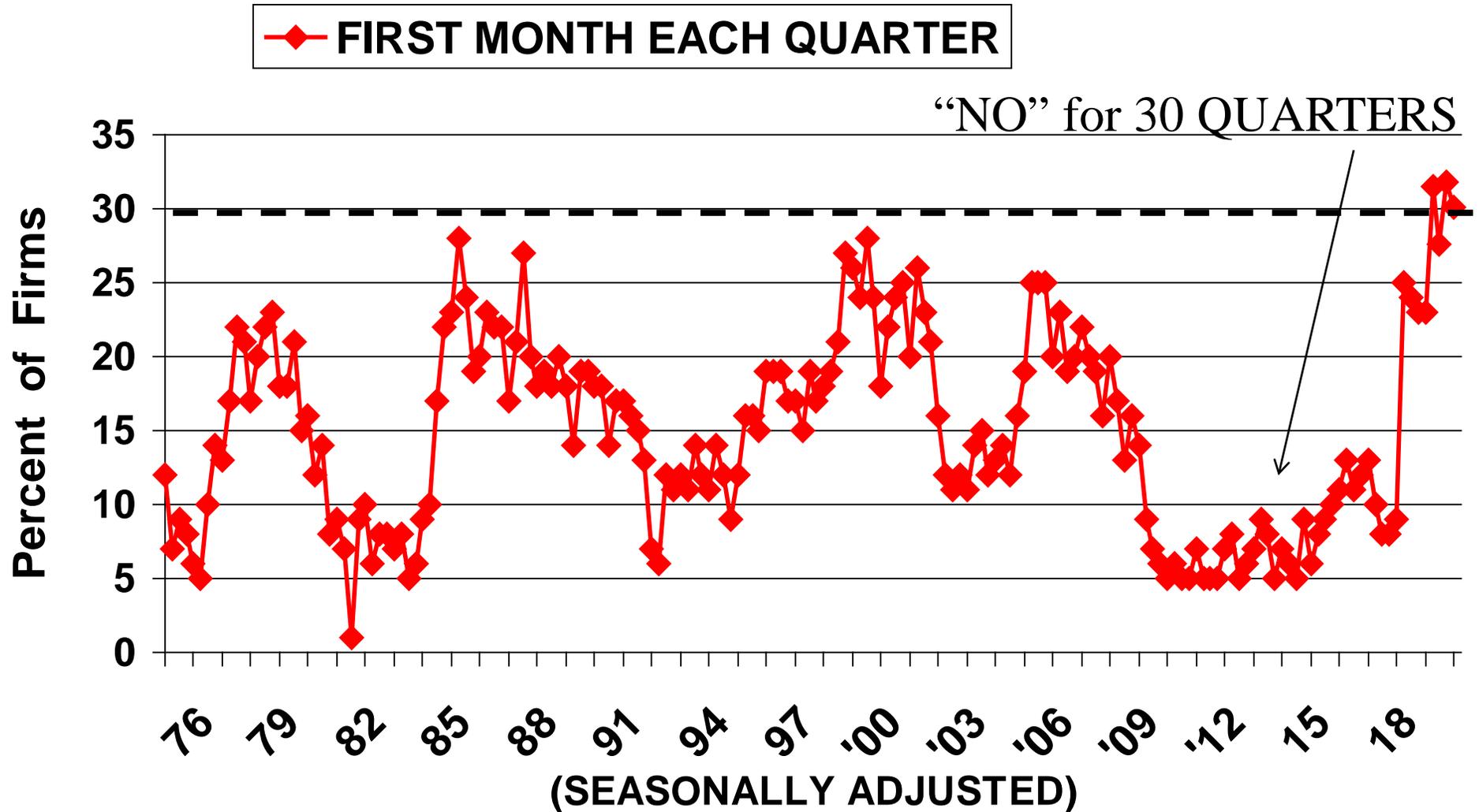
EXPECTATIONS FOR BUSINESS CONDITIONS IN 6 MONTHS

(PCT "BETTER" - PCT "WORSE")

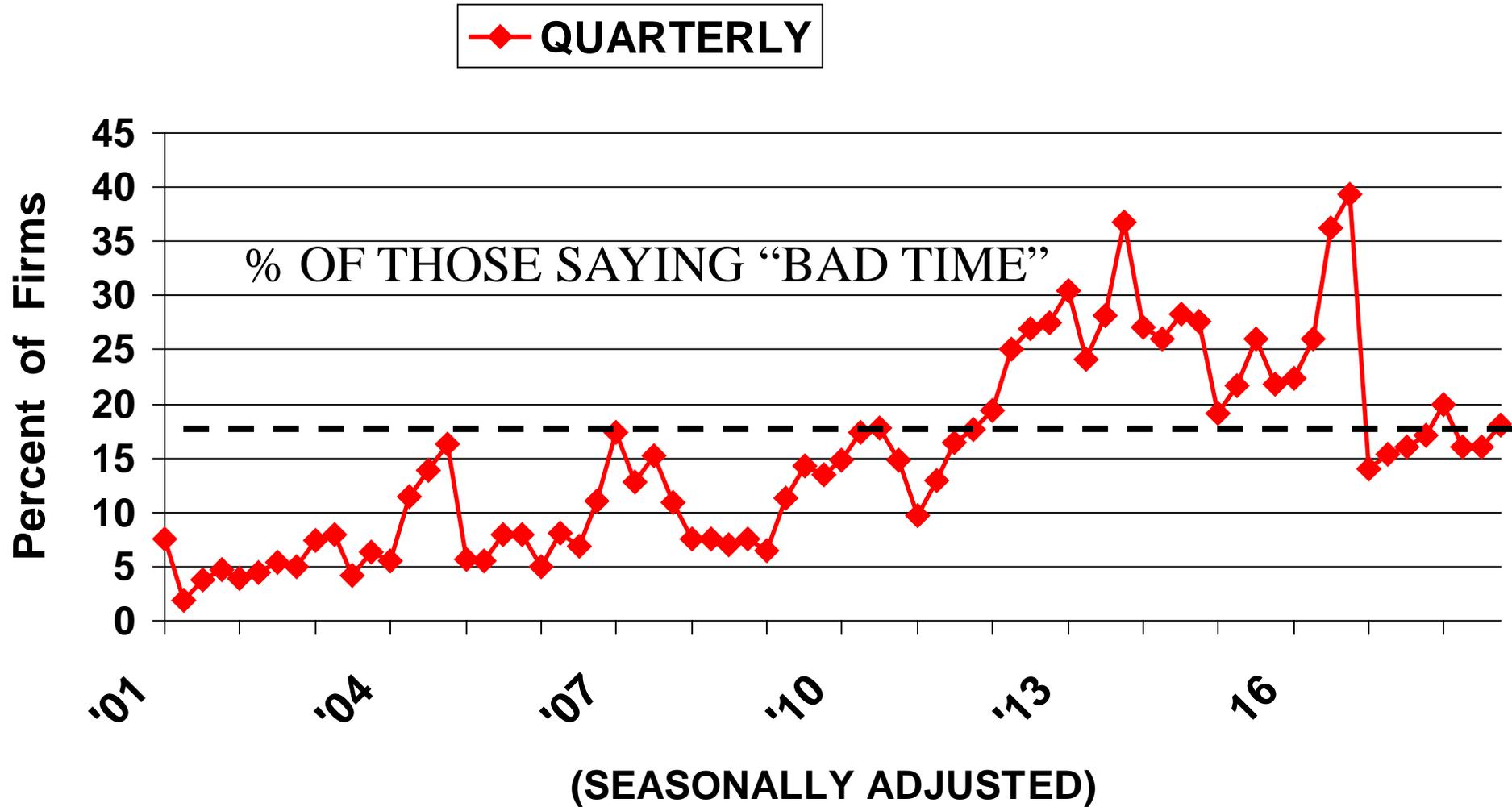


OUTLOOK FOR BUSINESS EXPANSION

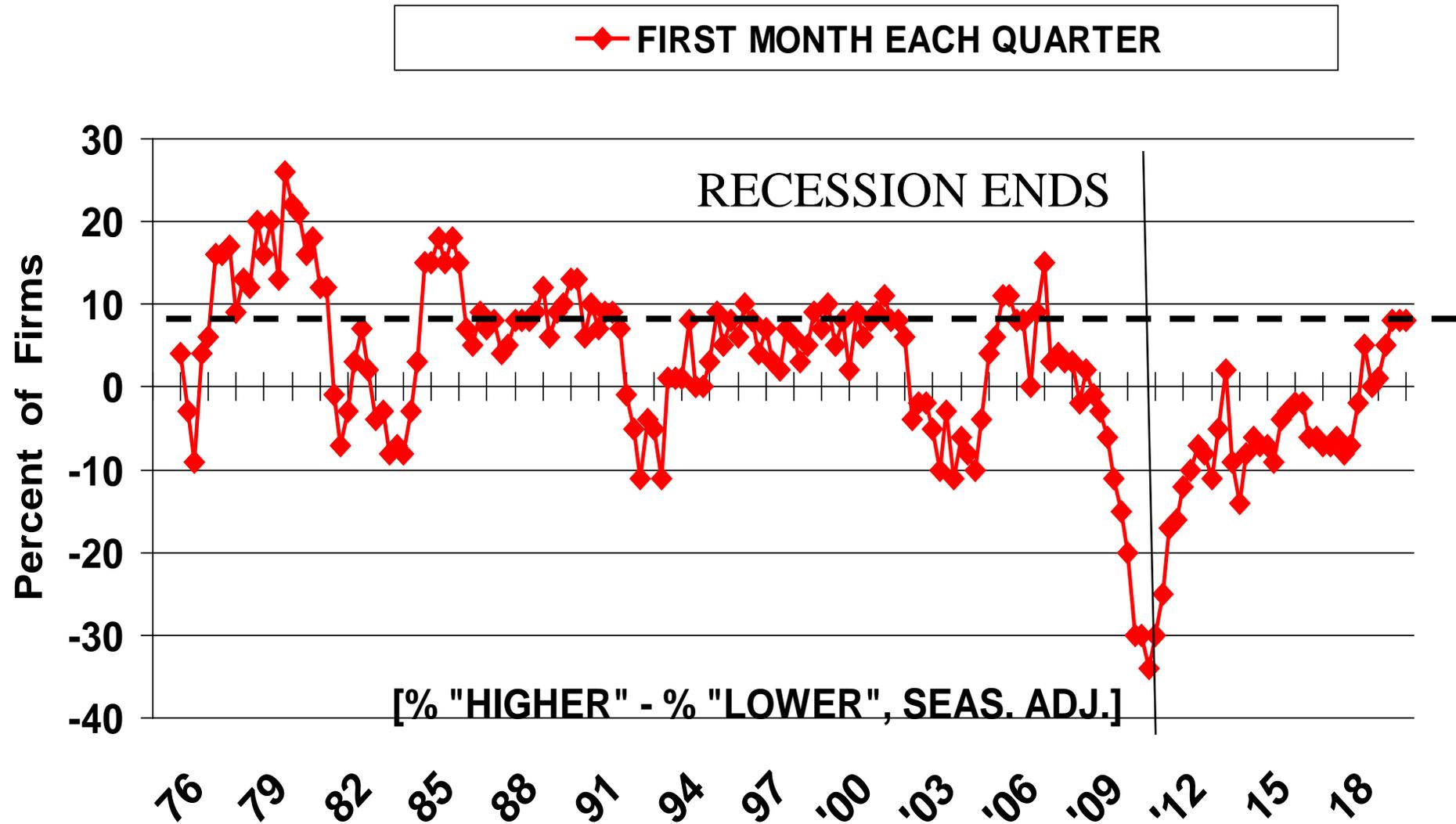
(PCT "NOW IS A GOOD TIME")



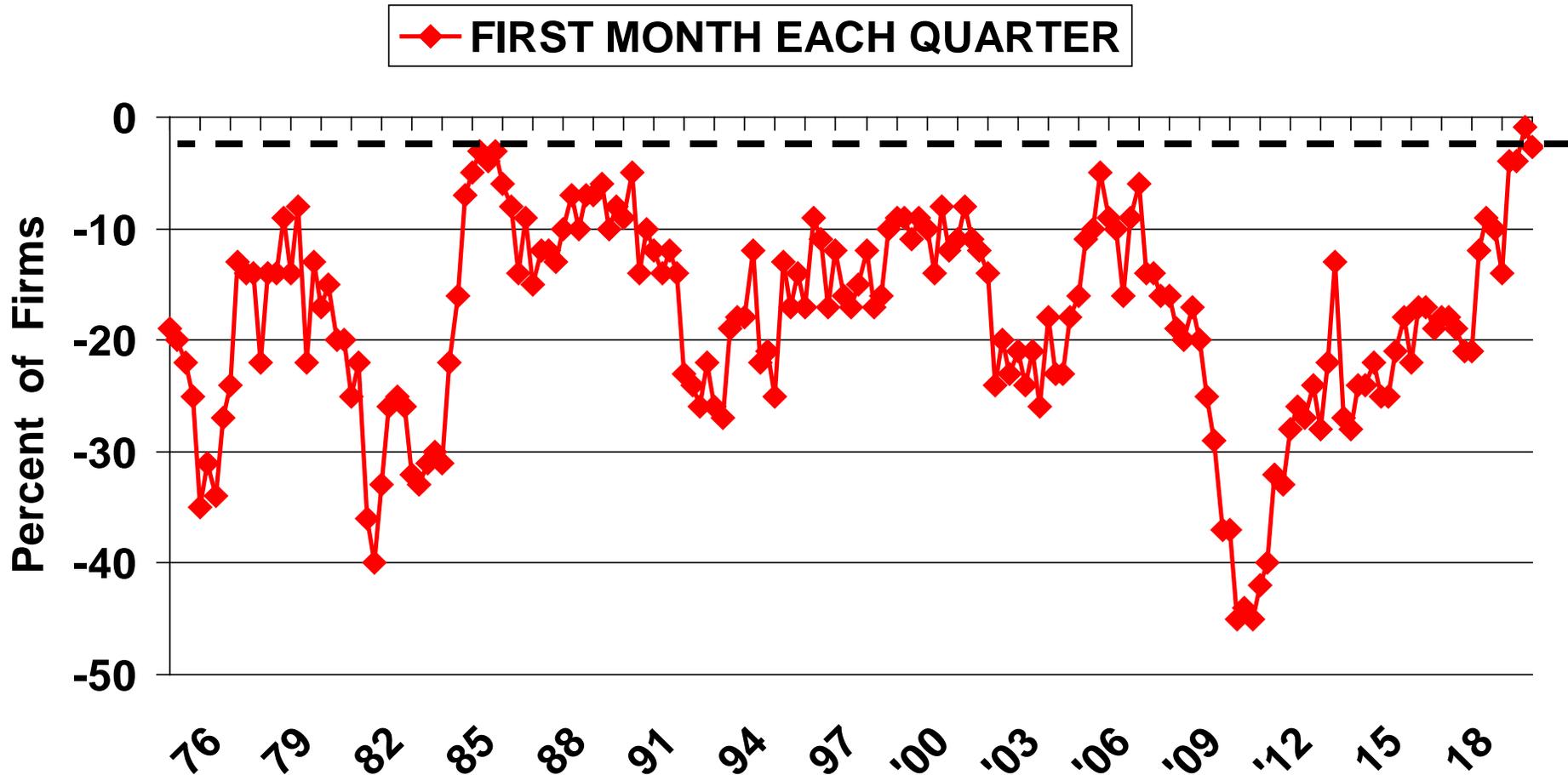
BAD TIME TO EXPAND DUE TO THE POLITICAL CLIMATE



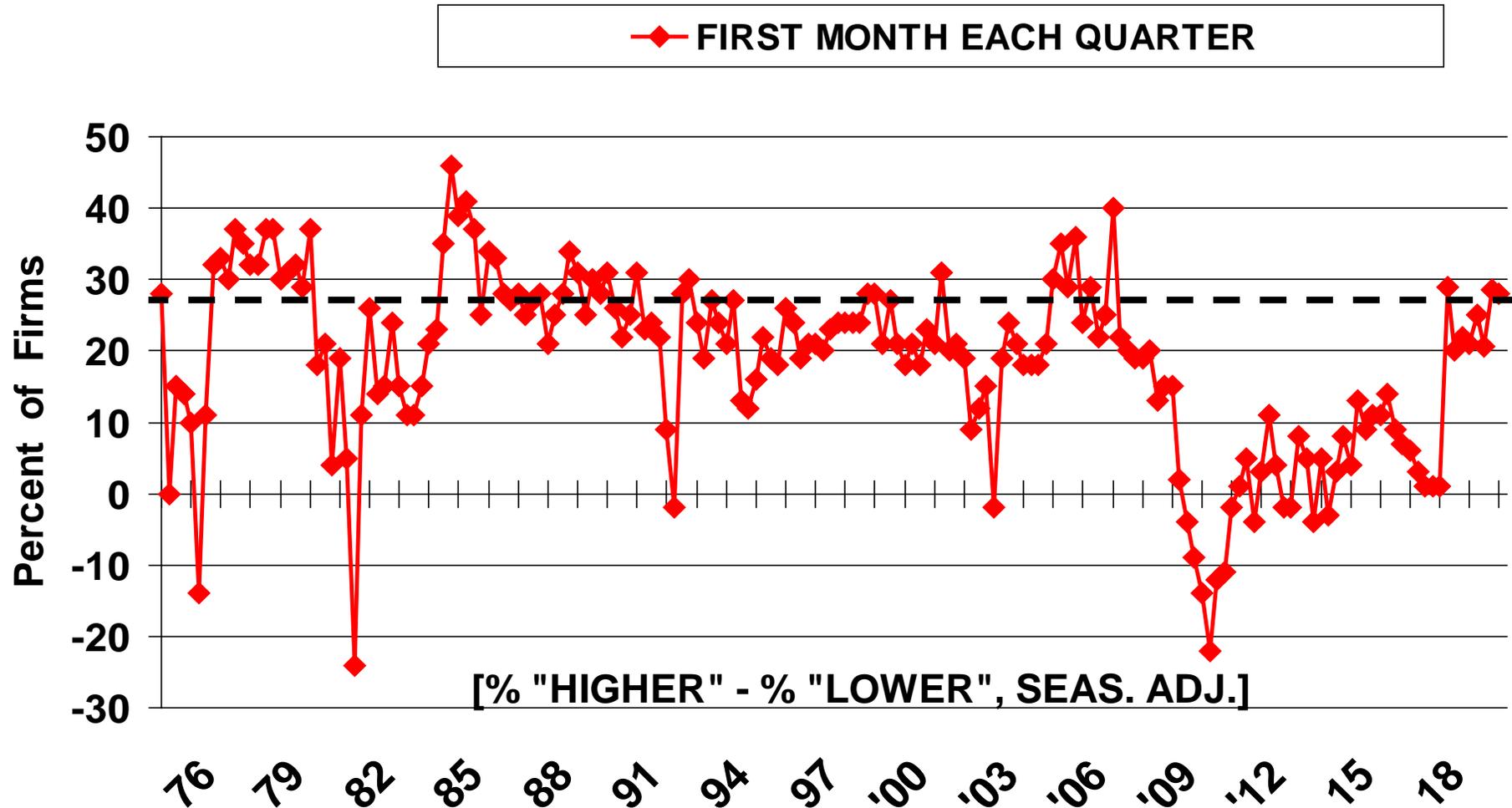
REPORTED CHANGE IN PAST SALES (last 3 months vs prior 3)



EARNINGS TRENDS: % "HIGHER" - % "LOWER" PAST QUARTER VS PRIOR QUARTER



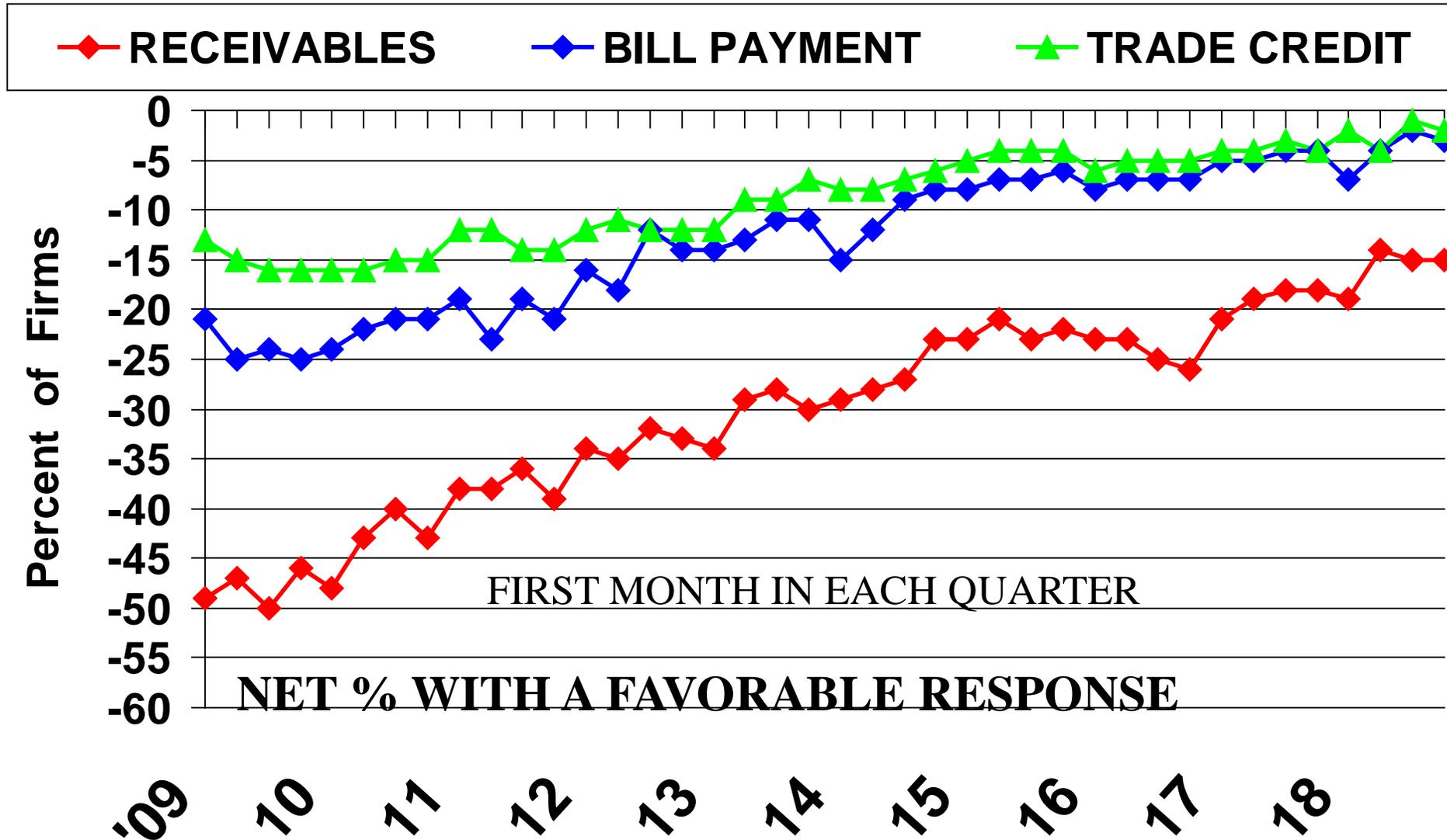
EXPECTED REAL SALES



CREDIT MARKETS

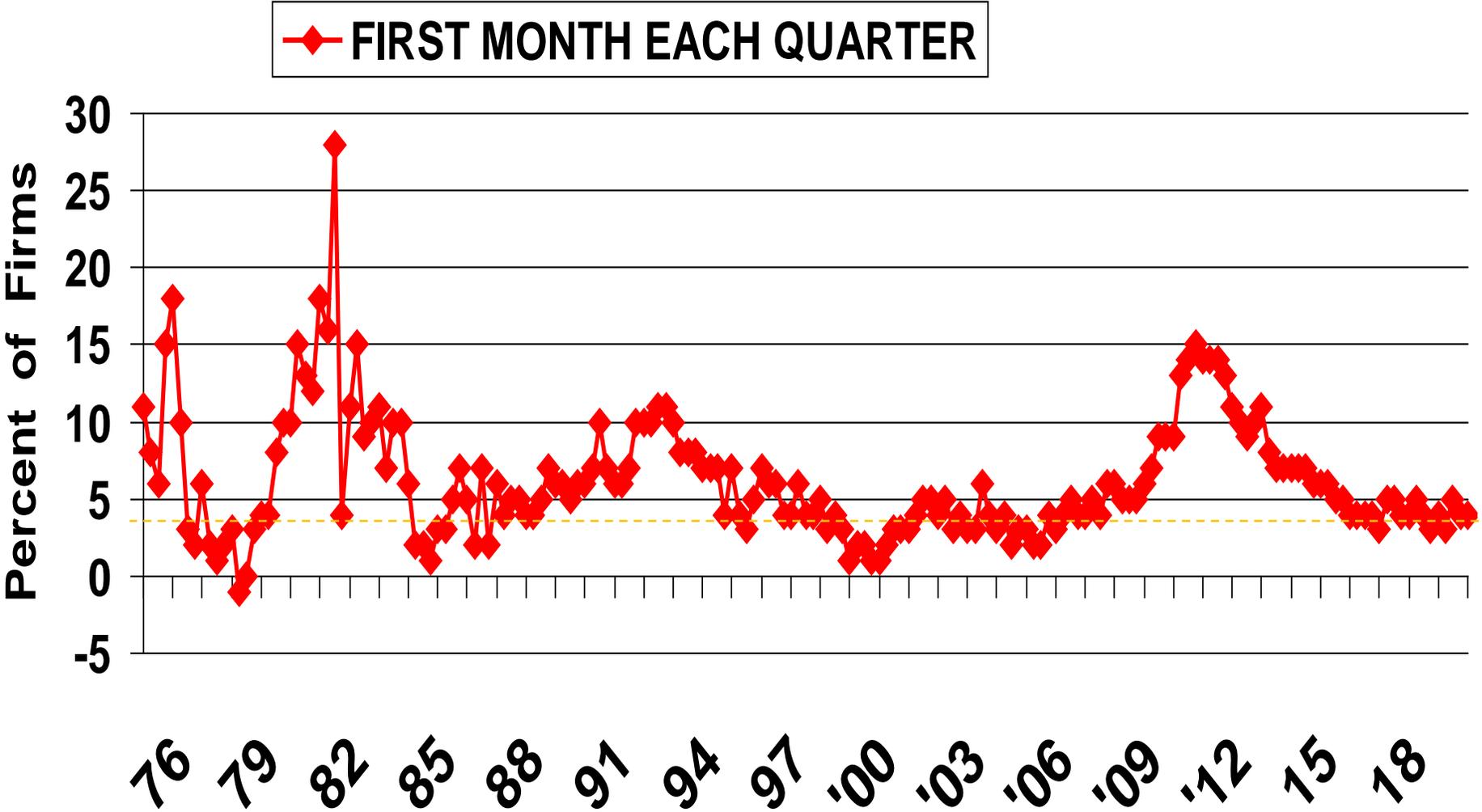
CREDIT AVAILABILITY AND CREDIT COSTS

BILL PAYMENT, RECEIVABLES COLLECTION AND TRADE CREDIT

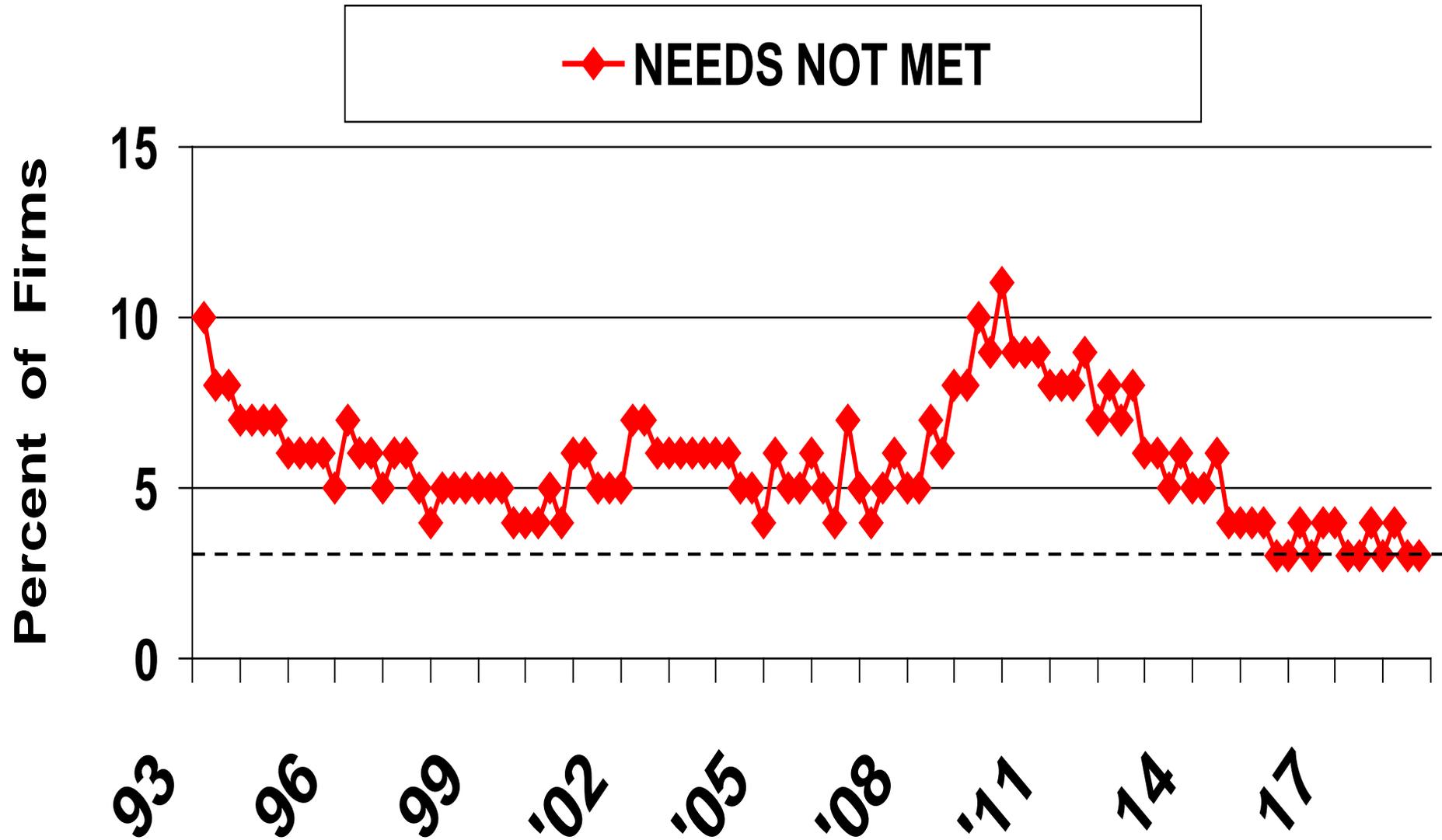


SMALL BUSINESS CREDIT PROBLEMS

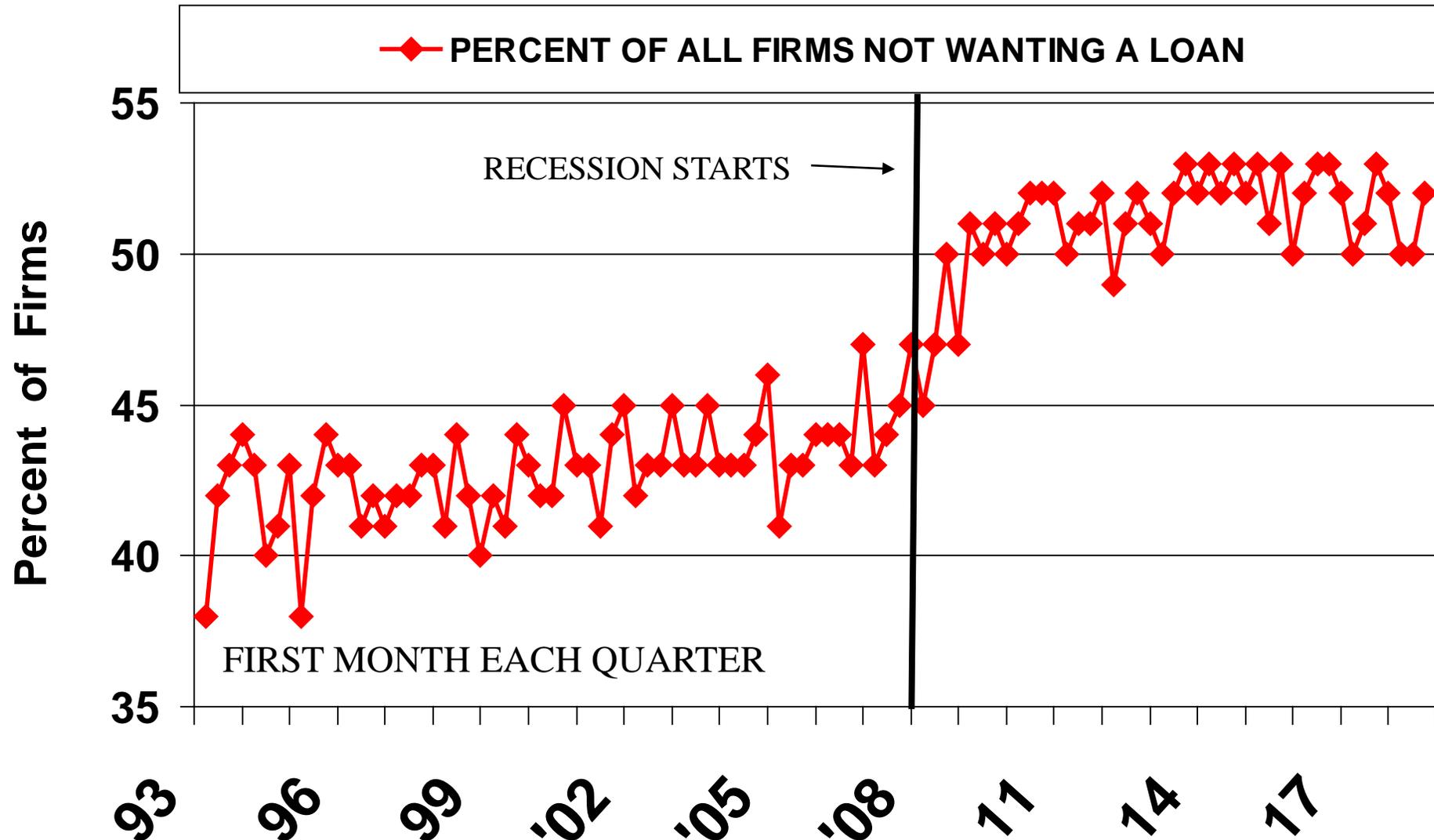
(% HARDER TO GET - % EASIER)



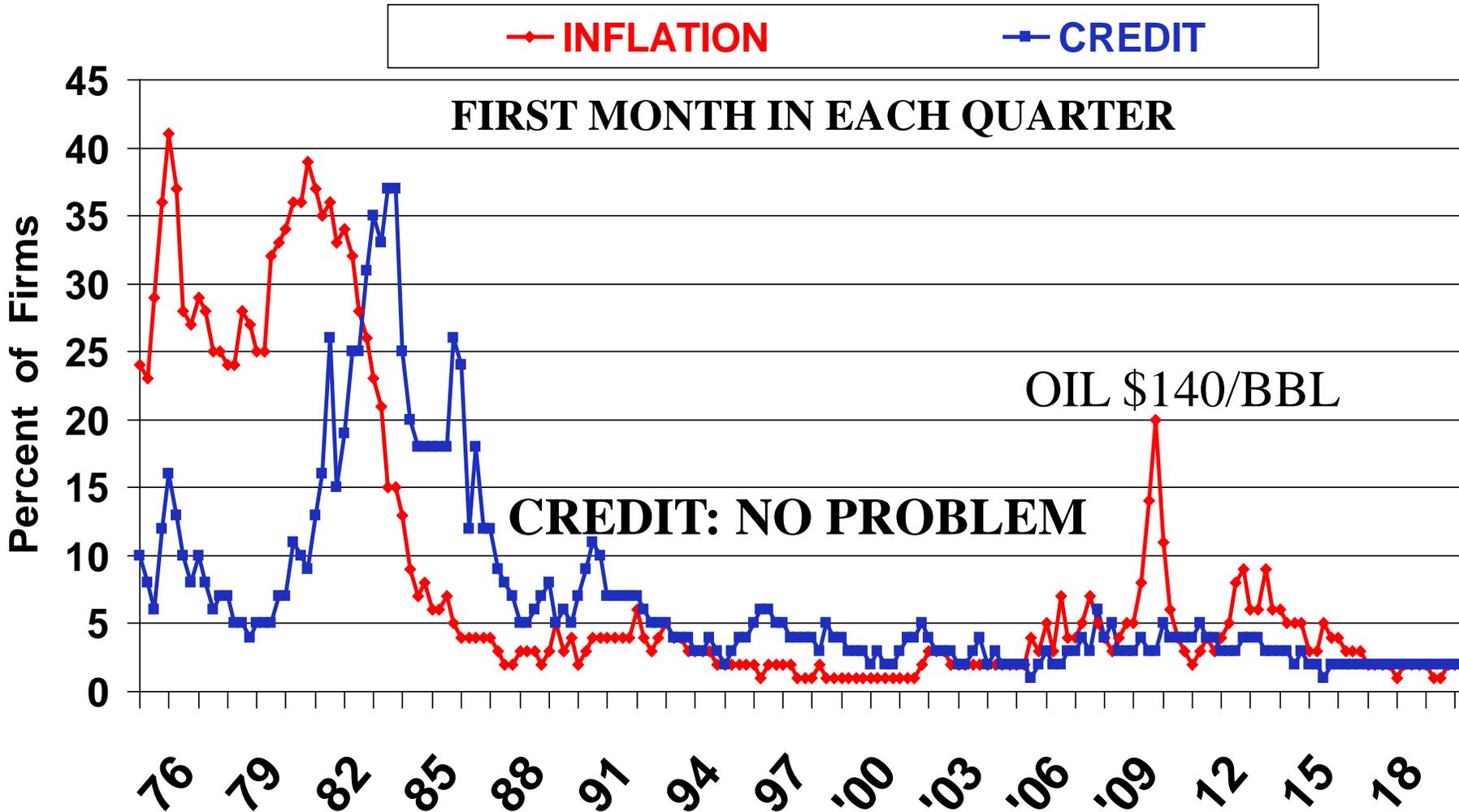
ALL CREDIT NEEDS NOT SATISFIED



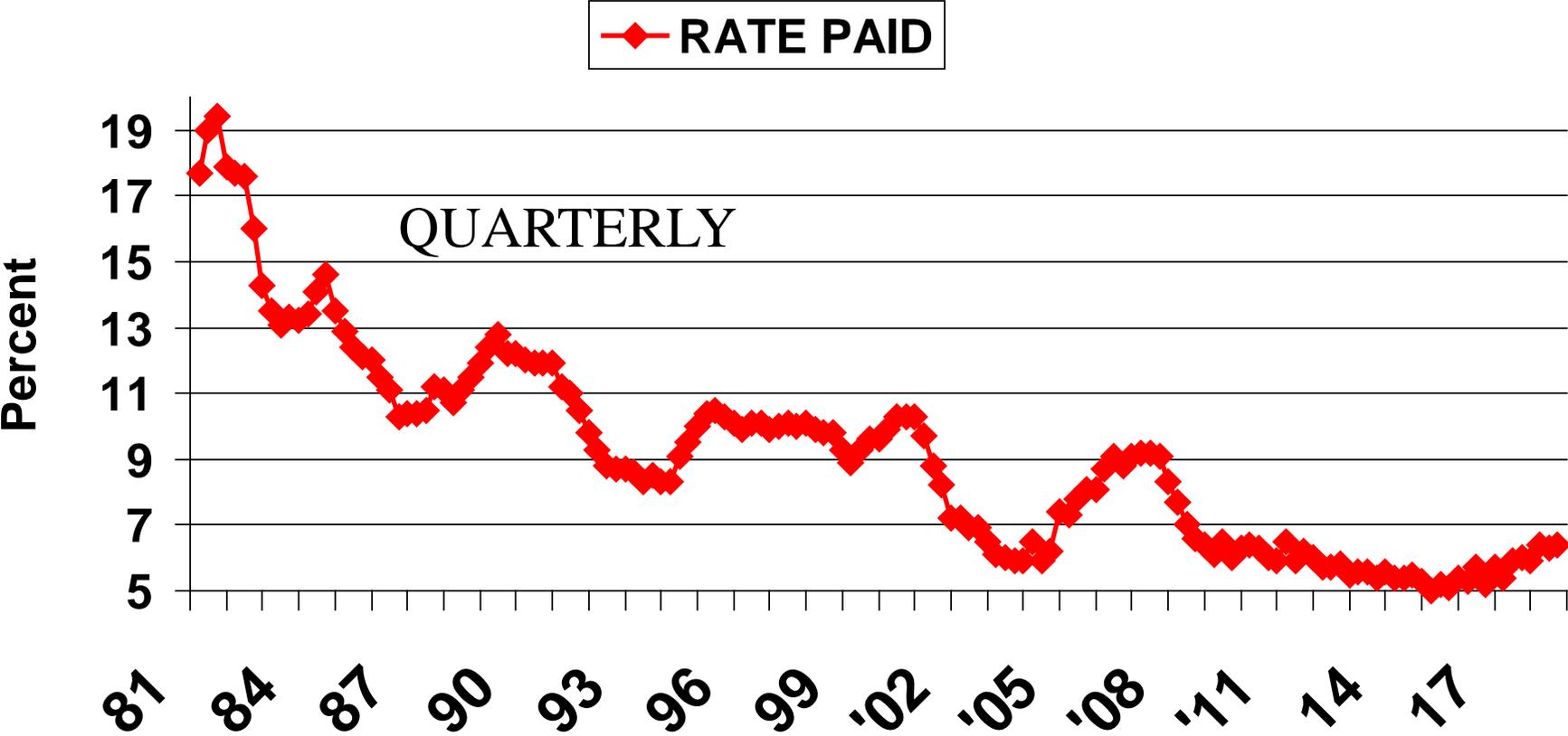
LOAN DEMAND: PERCENT NOT WANTING A LOAN



SINGLE MOST IMPORTANT PROBLEM FACING OWNERS

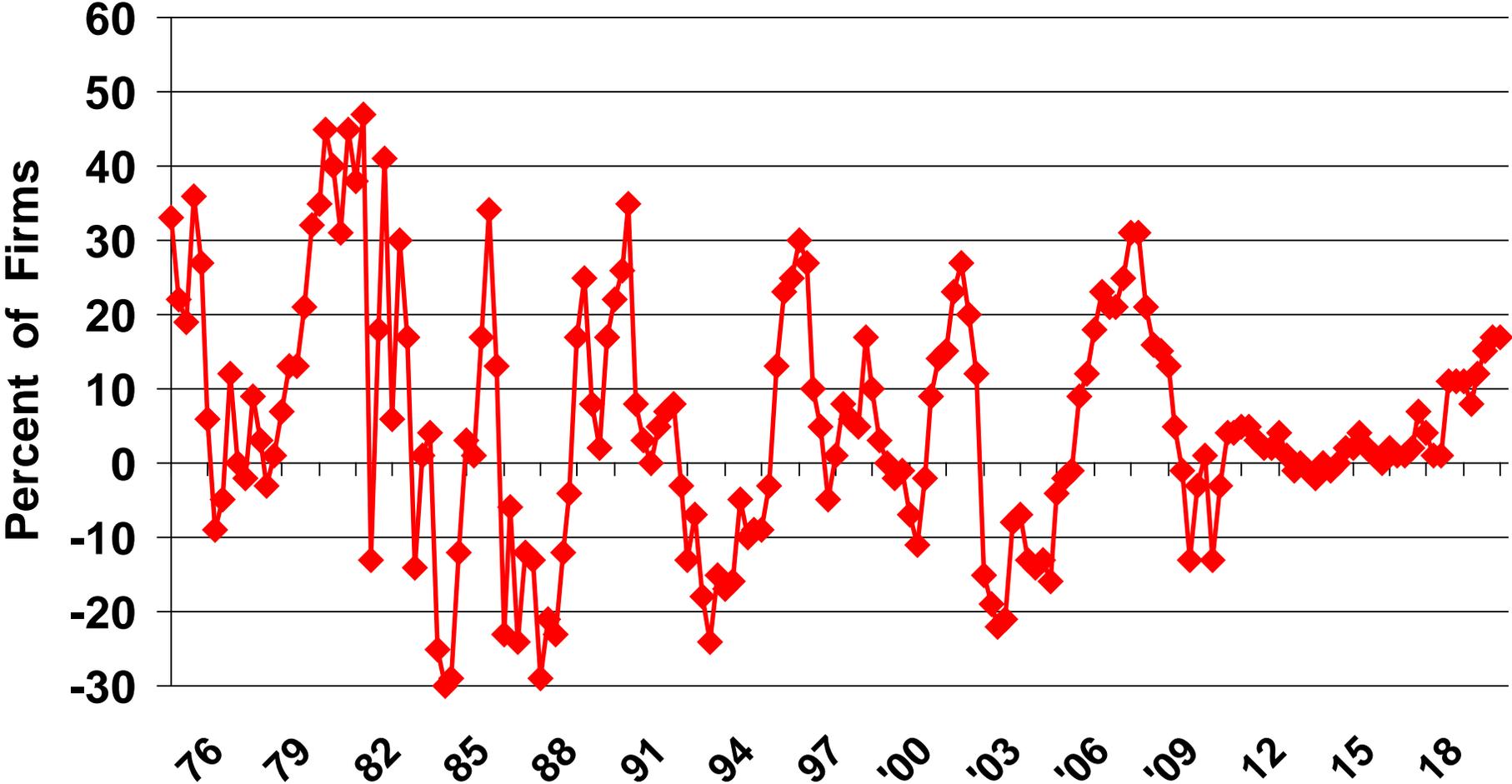


AVERAGE RATE PAID ON SHORT TERM LOANS

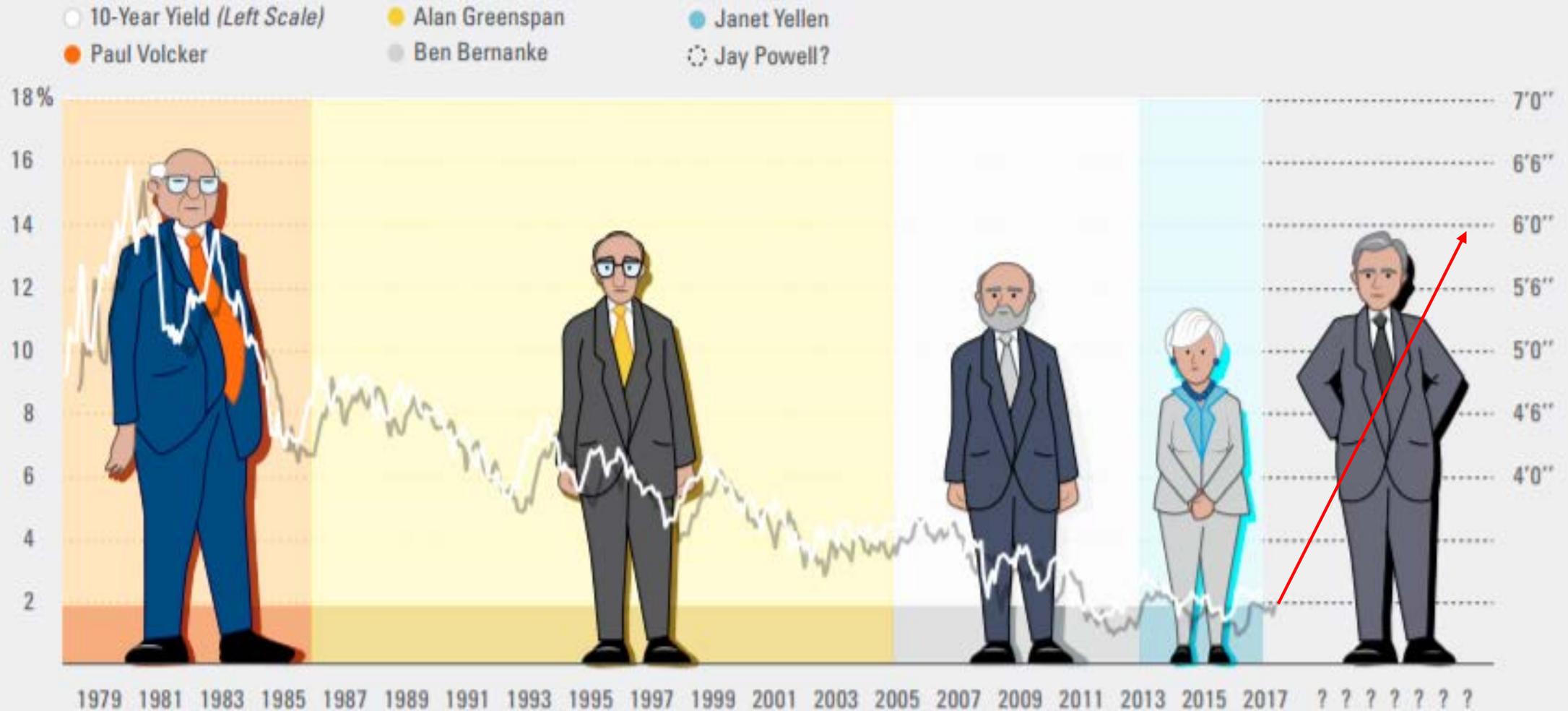


NET PERCENT REPORTING HIGHER INTEREST RATES

[ON THE LAST LOAN]



BOTH THE HEIGHT OF THE FED CHAIR AND RATES HAVE FALLEN OVER TIME, COULD A TALLER FED CHAIR MEAN RATES RISE?



Source: LPL Research, Bloomberg 10/22/17

We don't actually believe that interest rates are determined by the height of the Fed chair, but it has been an interesting coincidence.



YEAH,
THEY DON'T
BELIEVE IN
ME ANYMORE
EITHER.

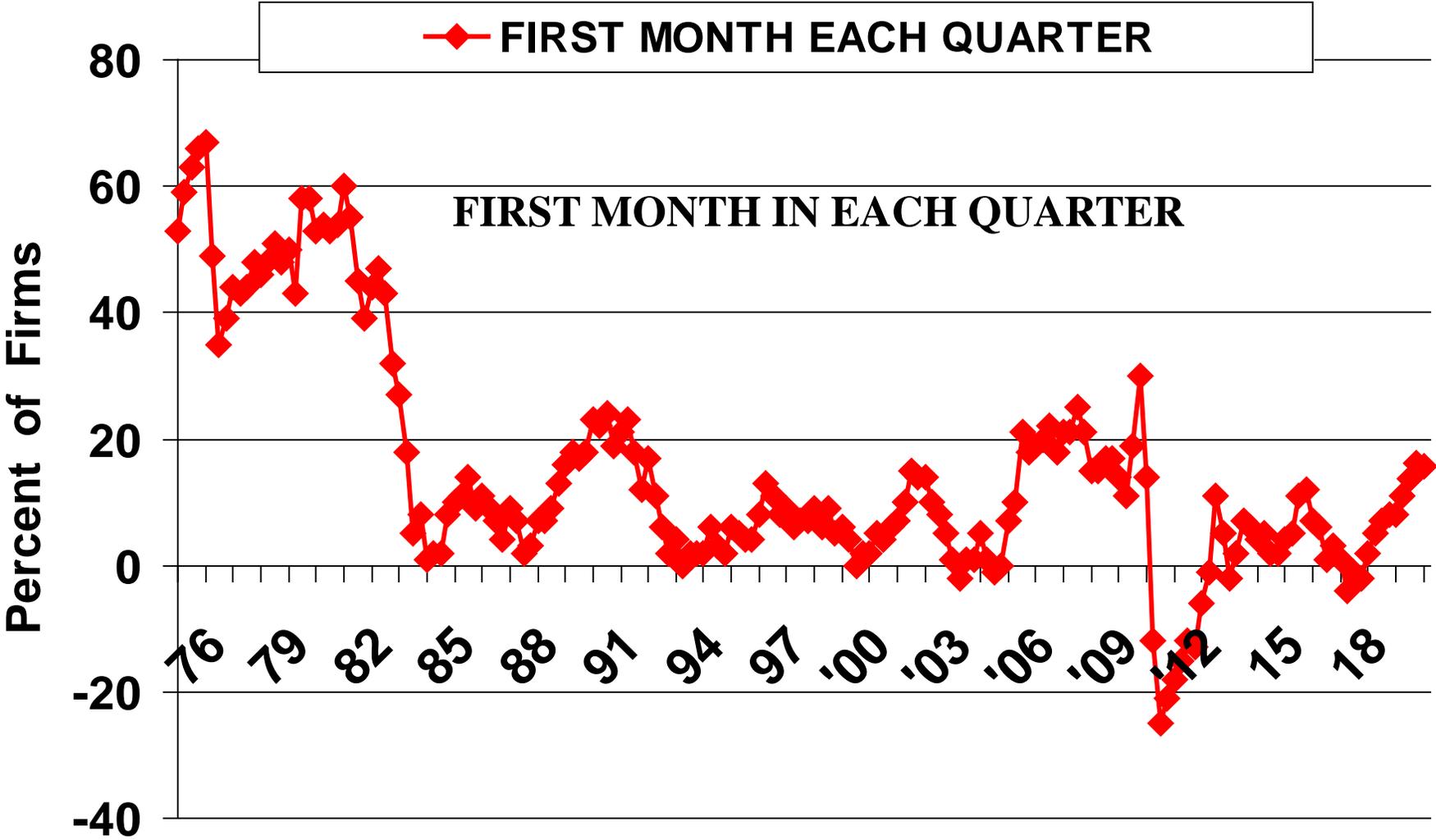


B. Rich HEDGEYE

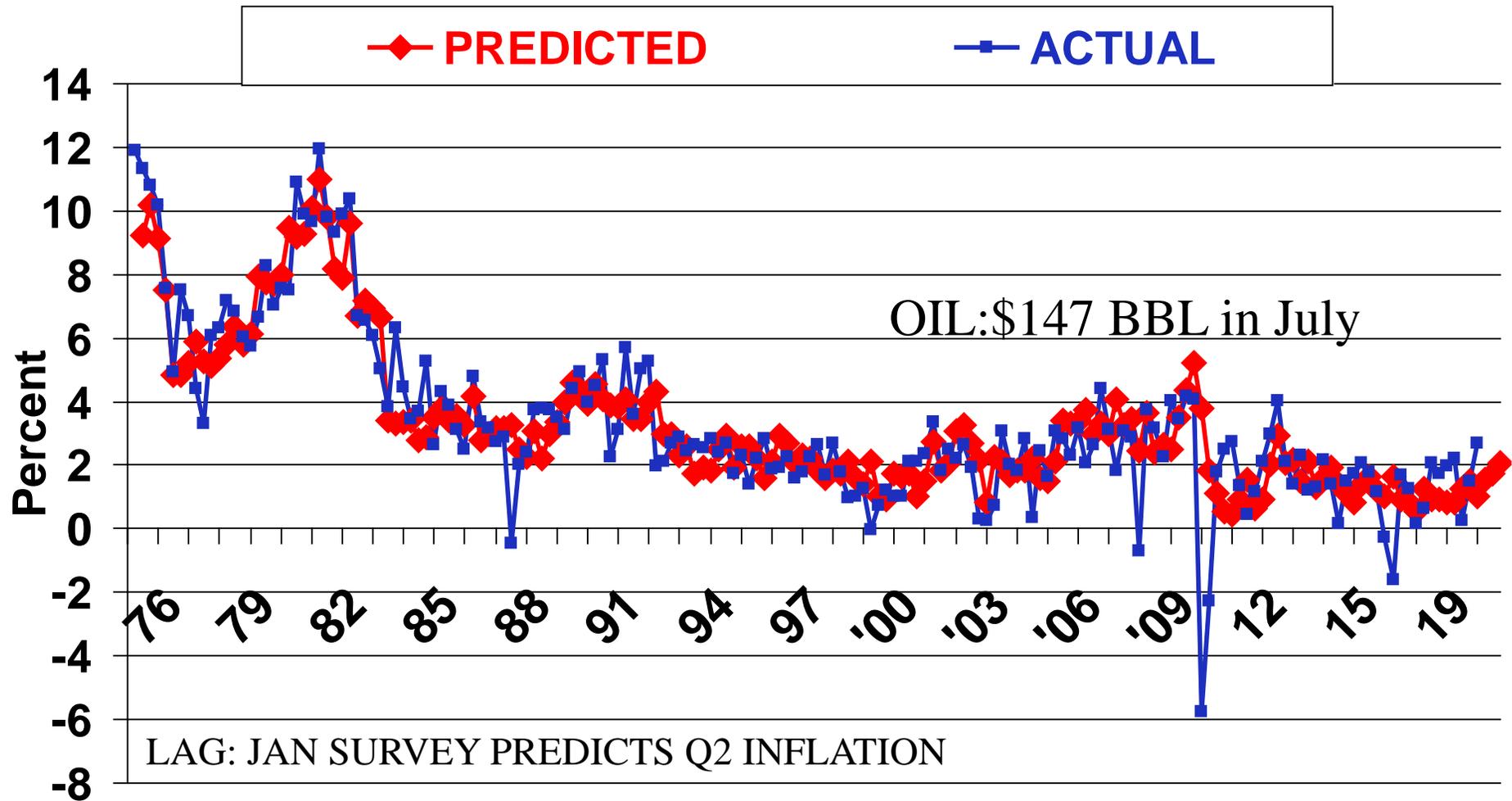
PRICES AND WAGES

ACTUAL PRICE INCREASES

SEASONALLY ADJUSTED



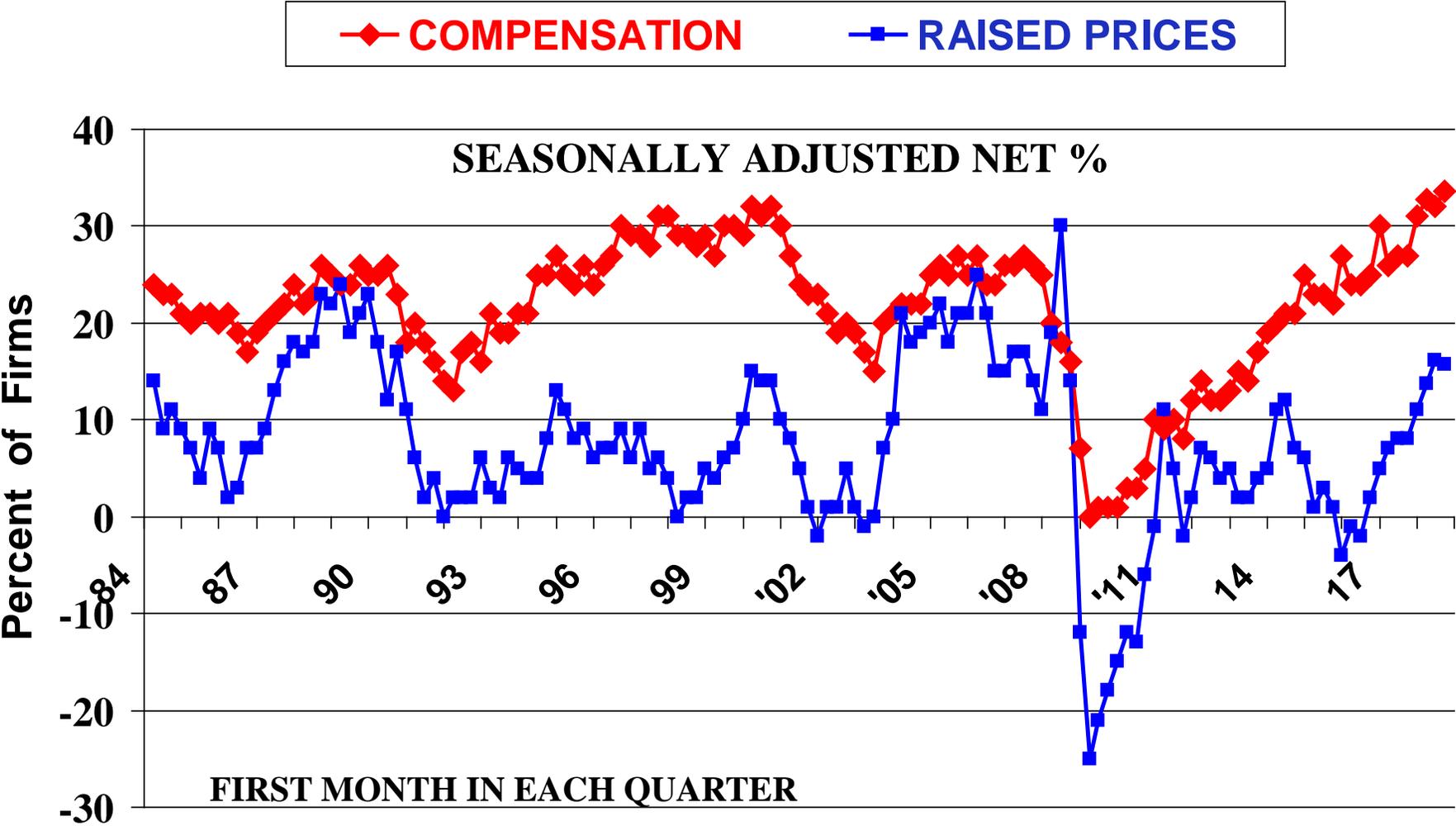
INFLATION: PCE DEFLATOR



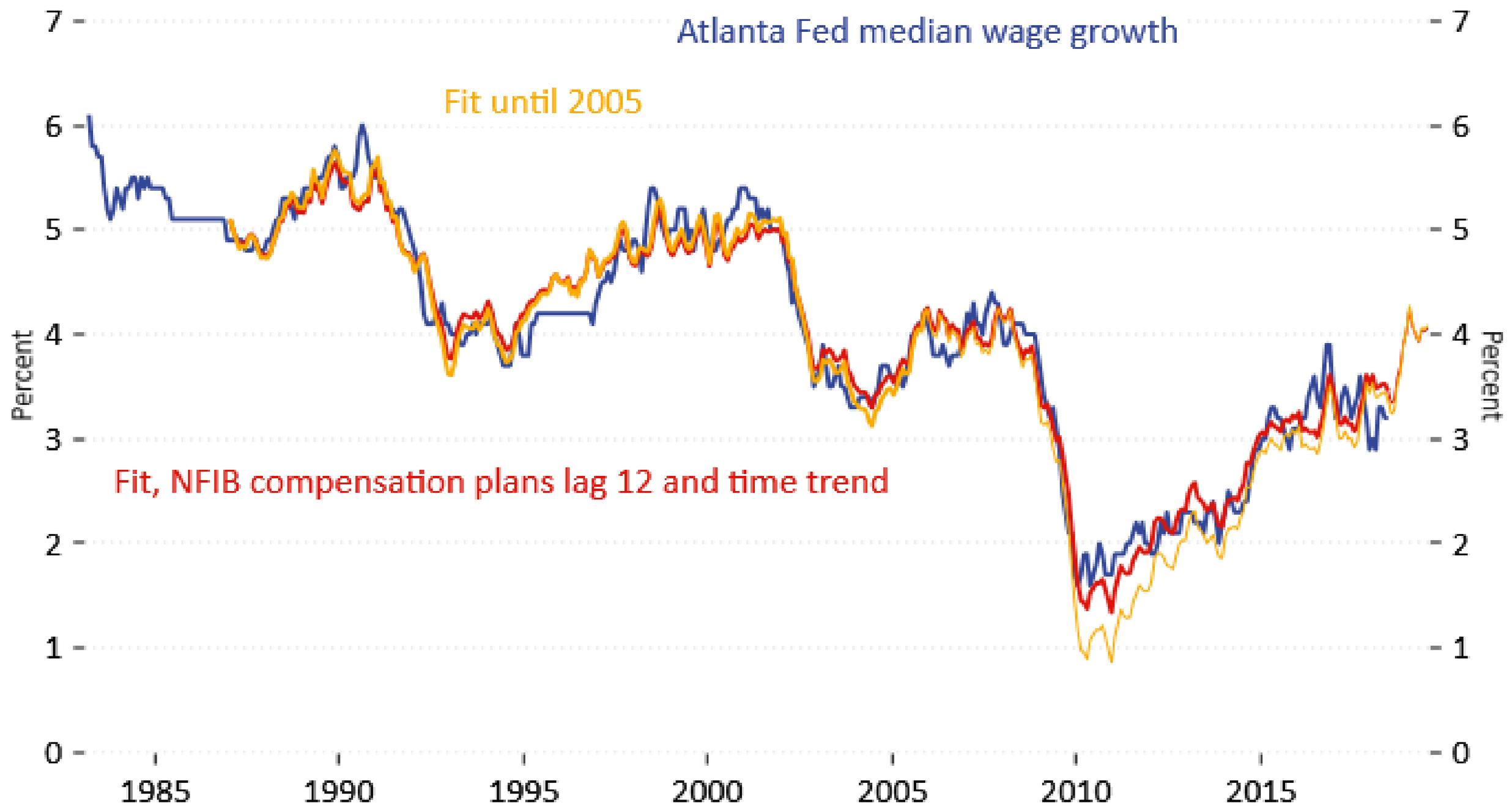
B. Rich
HEDGEYE



CHANGES IN PRICES AND LABOR COMPENSATION



Atlanta Fed median wage growth



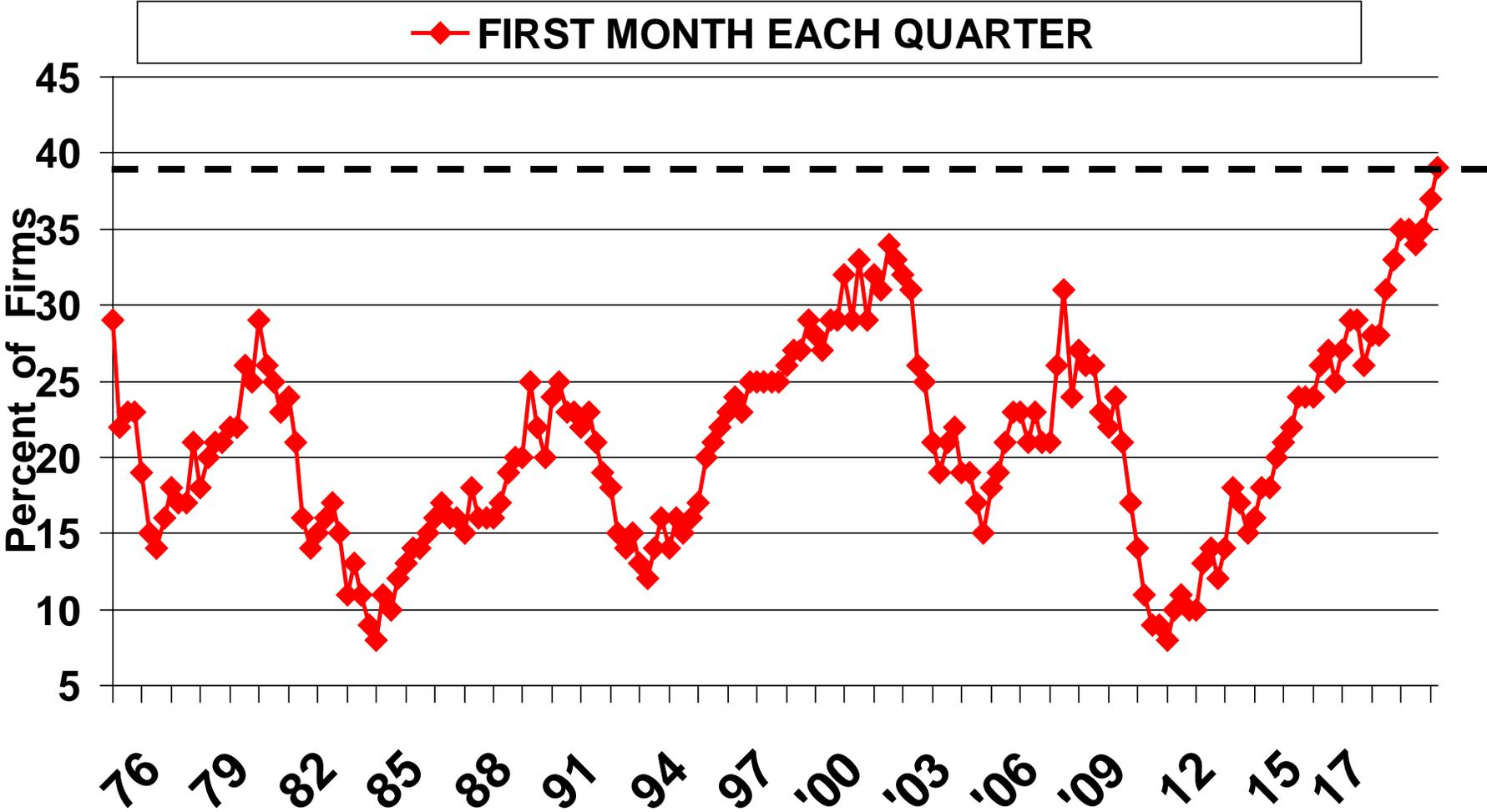
Fit until 2005

Fit, NFIB compensation plans lag 12 and time trend

EMPLOYMENT AND JOB CREATION

UNFILLED JOB OPENINGS

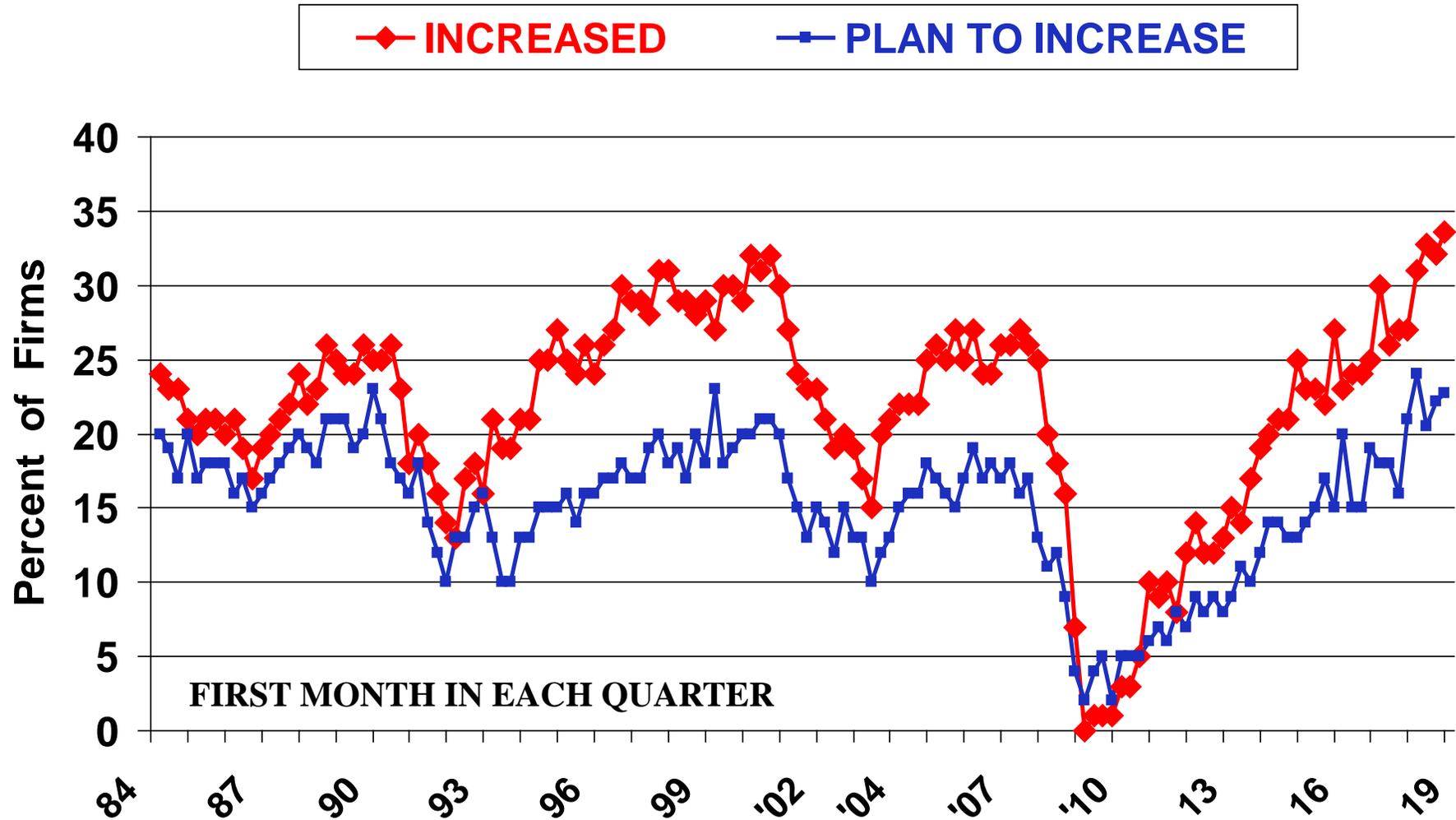
% WITH AT LEAST ONE UNFILLED OPENING



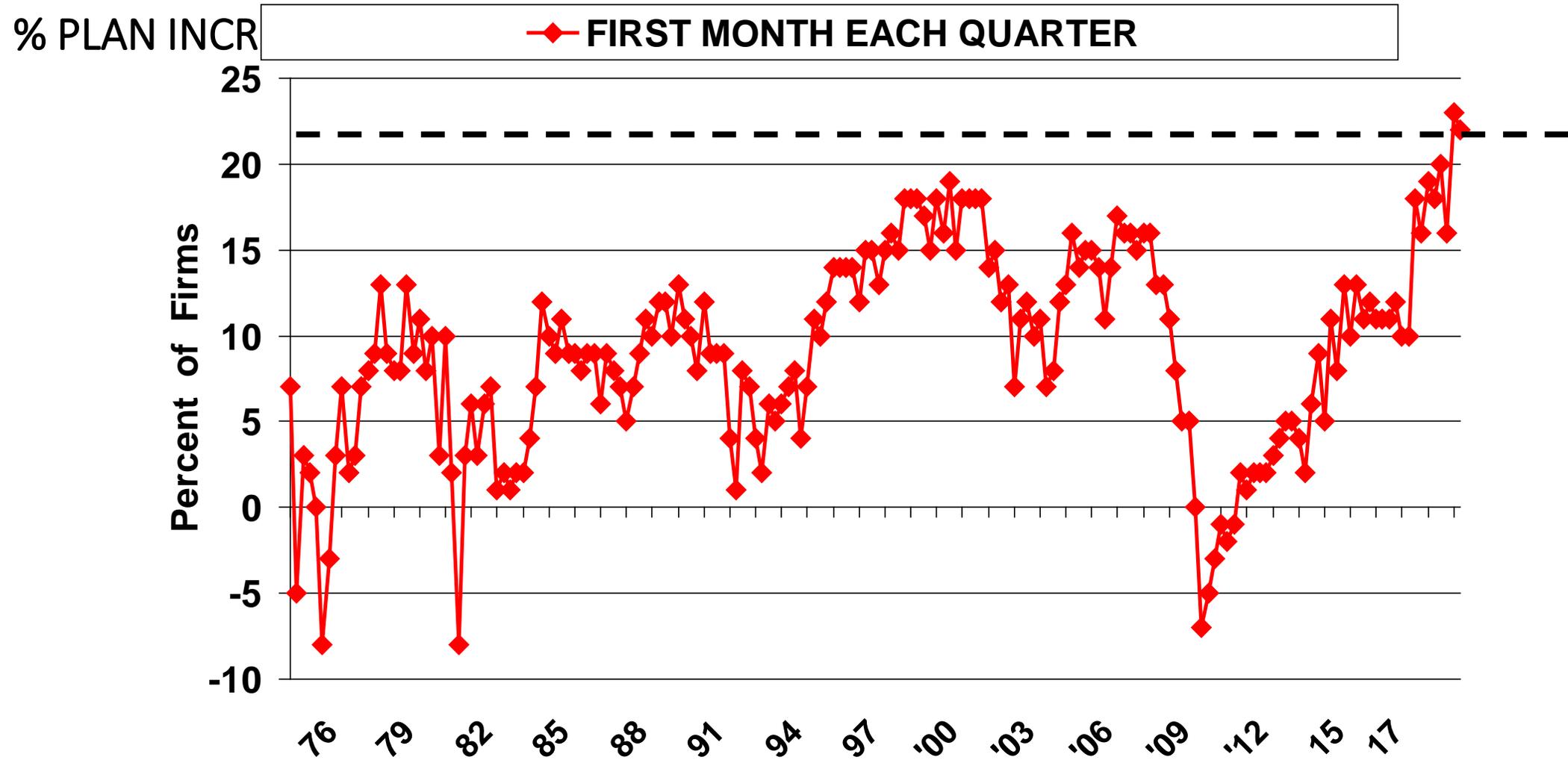


"Seat yourself. Grab a menu. Take any table.
Hey, you know how to cook?"

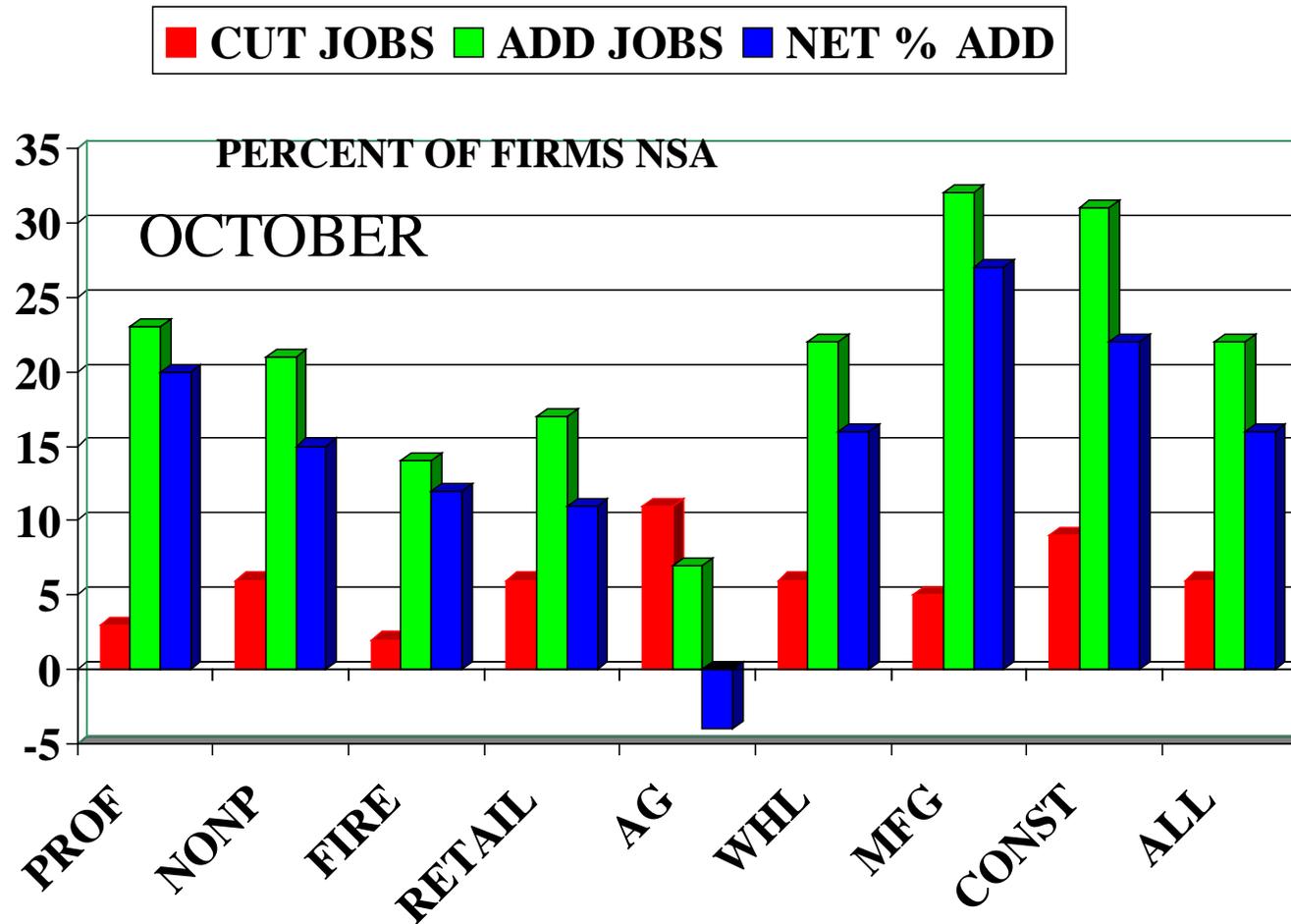
PLANNED & ACTUAL LABOR COMPENSATION CHANGES (NET PERCENT OF FIRMS)



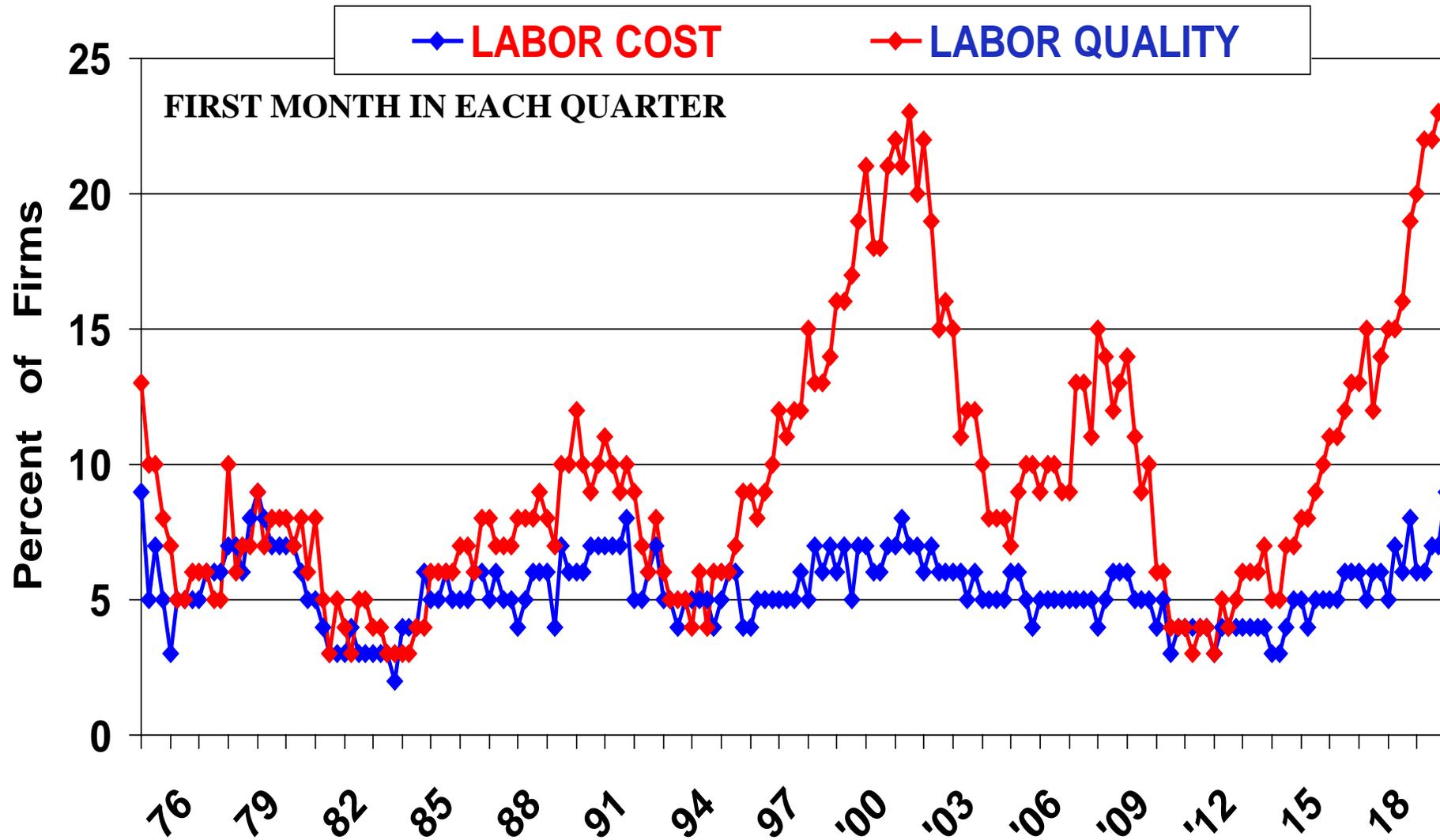
JOB CREATION PLANS



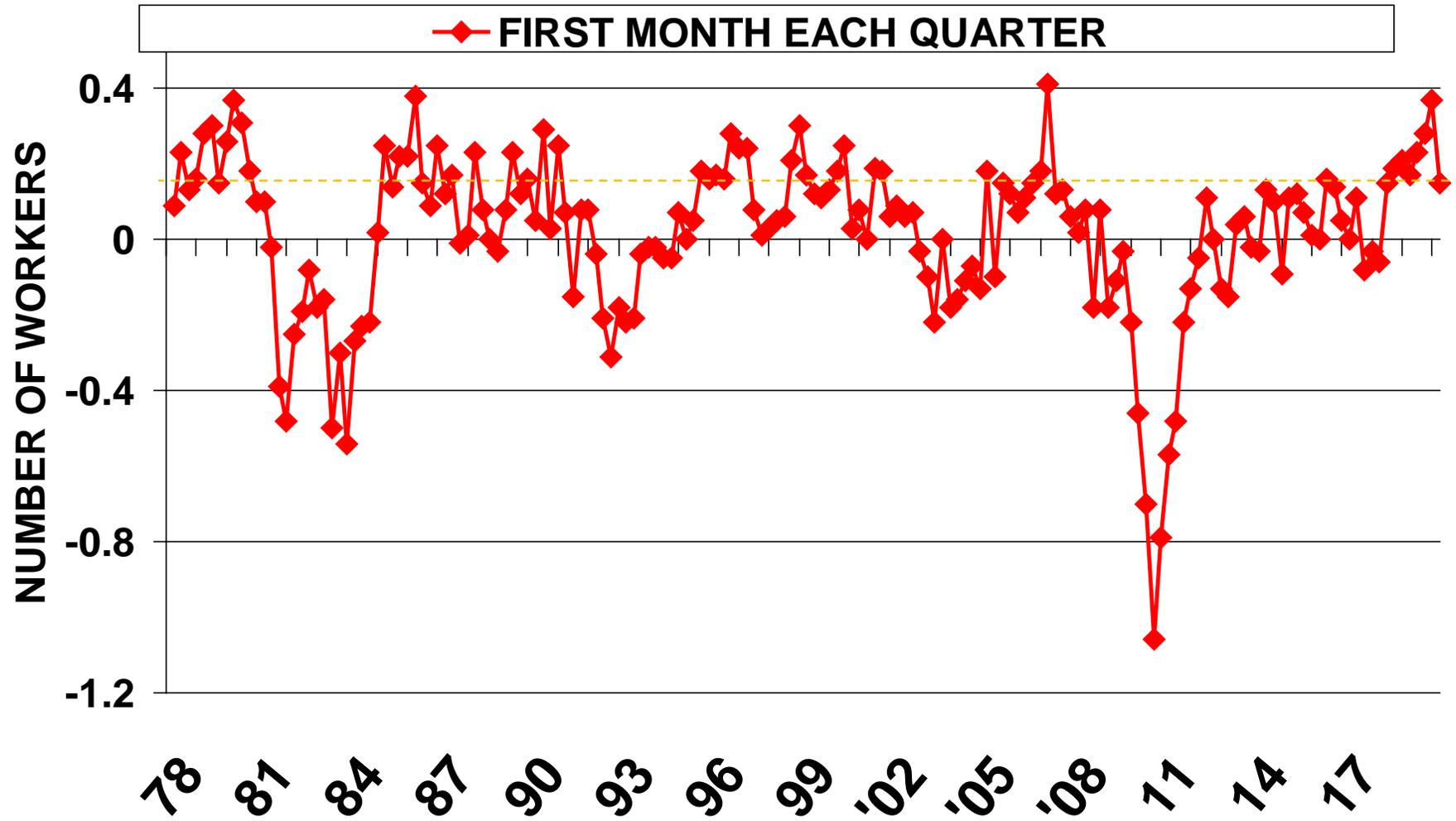
PLANS TO CUT JOBS AND TO INCREASE EMPLOYMENT



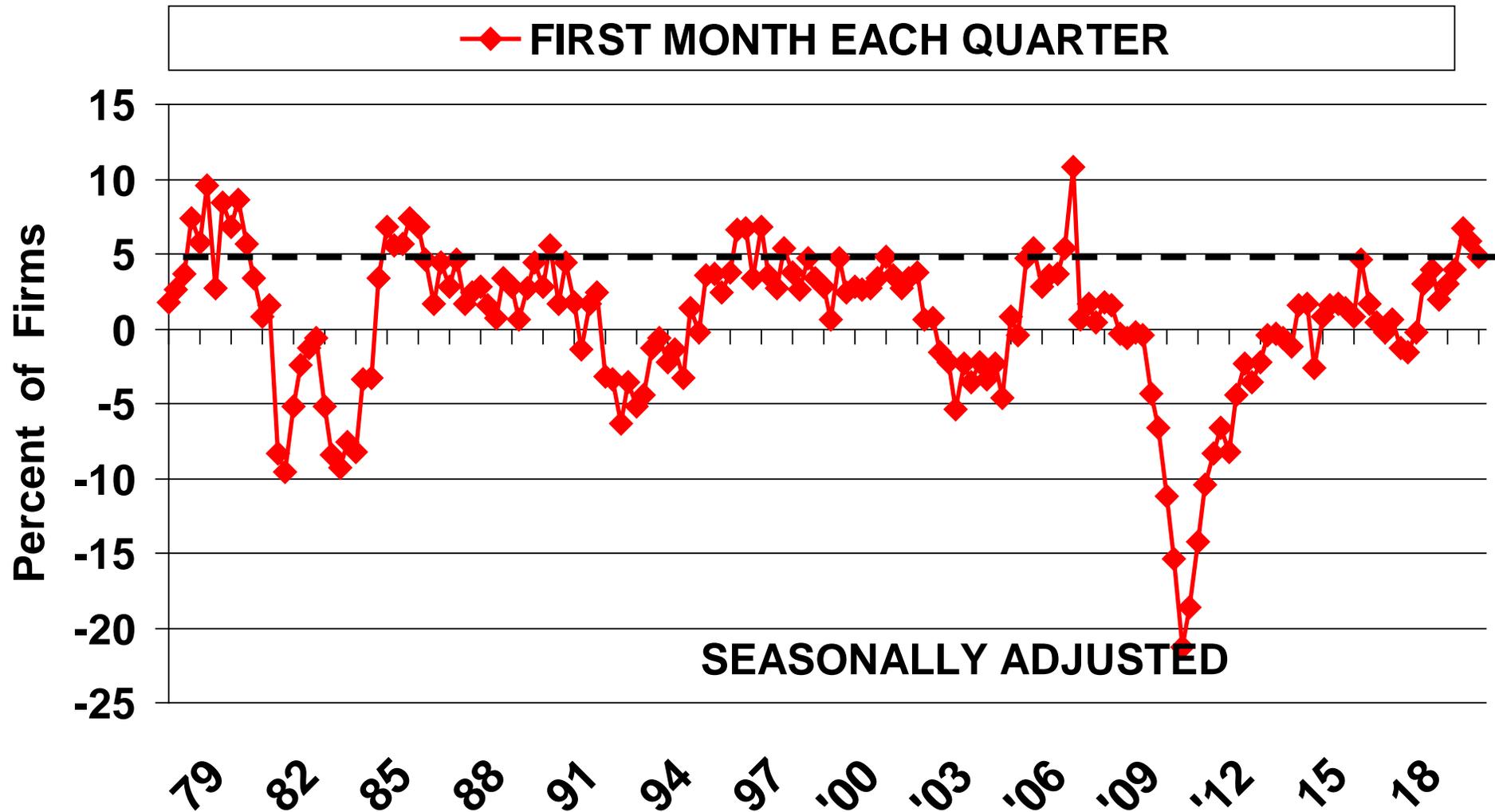
MOST IMPORTANT PROBLEMS



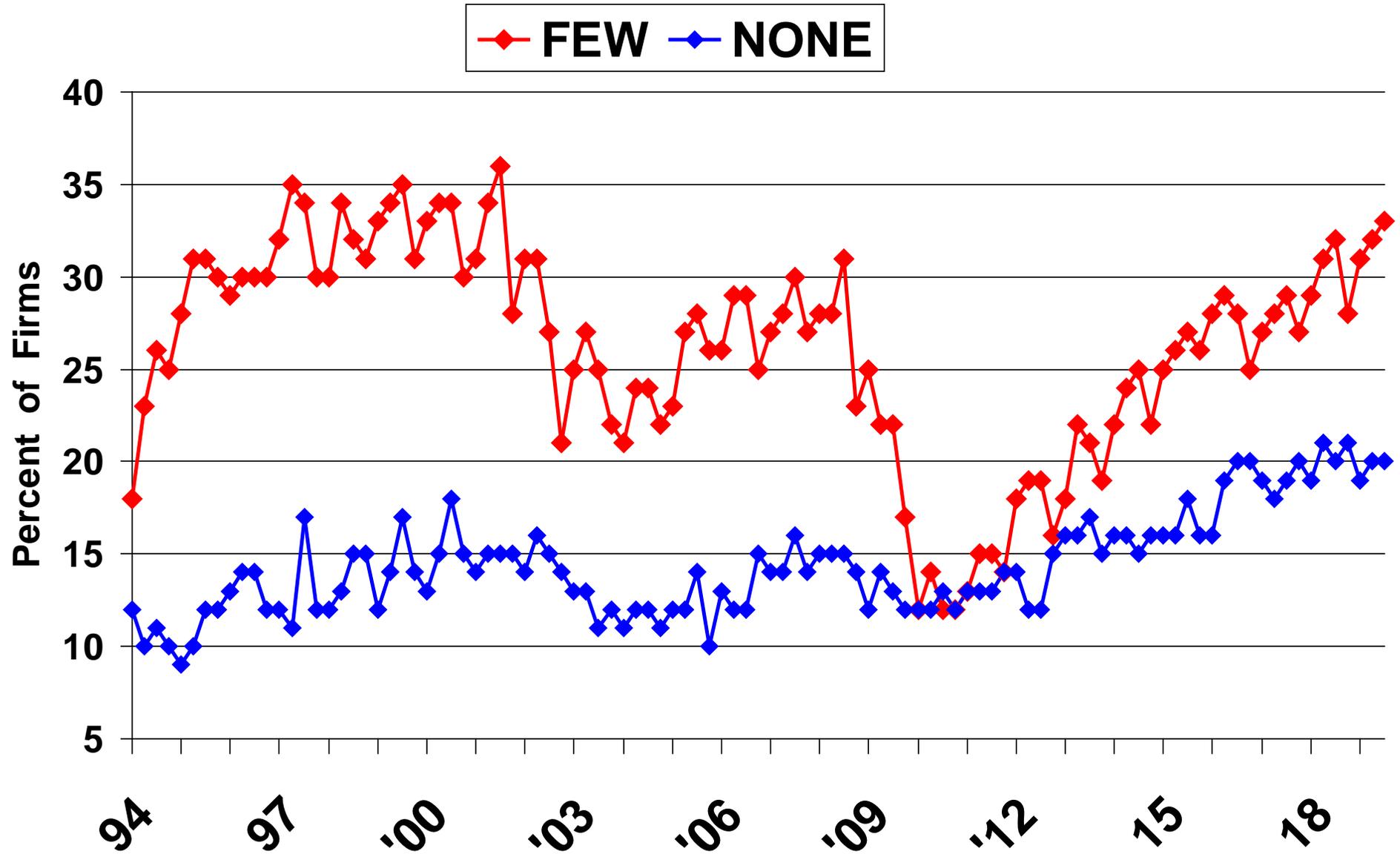
AVERAGE CHANGE IN EMPLOYMENT PER FIRM



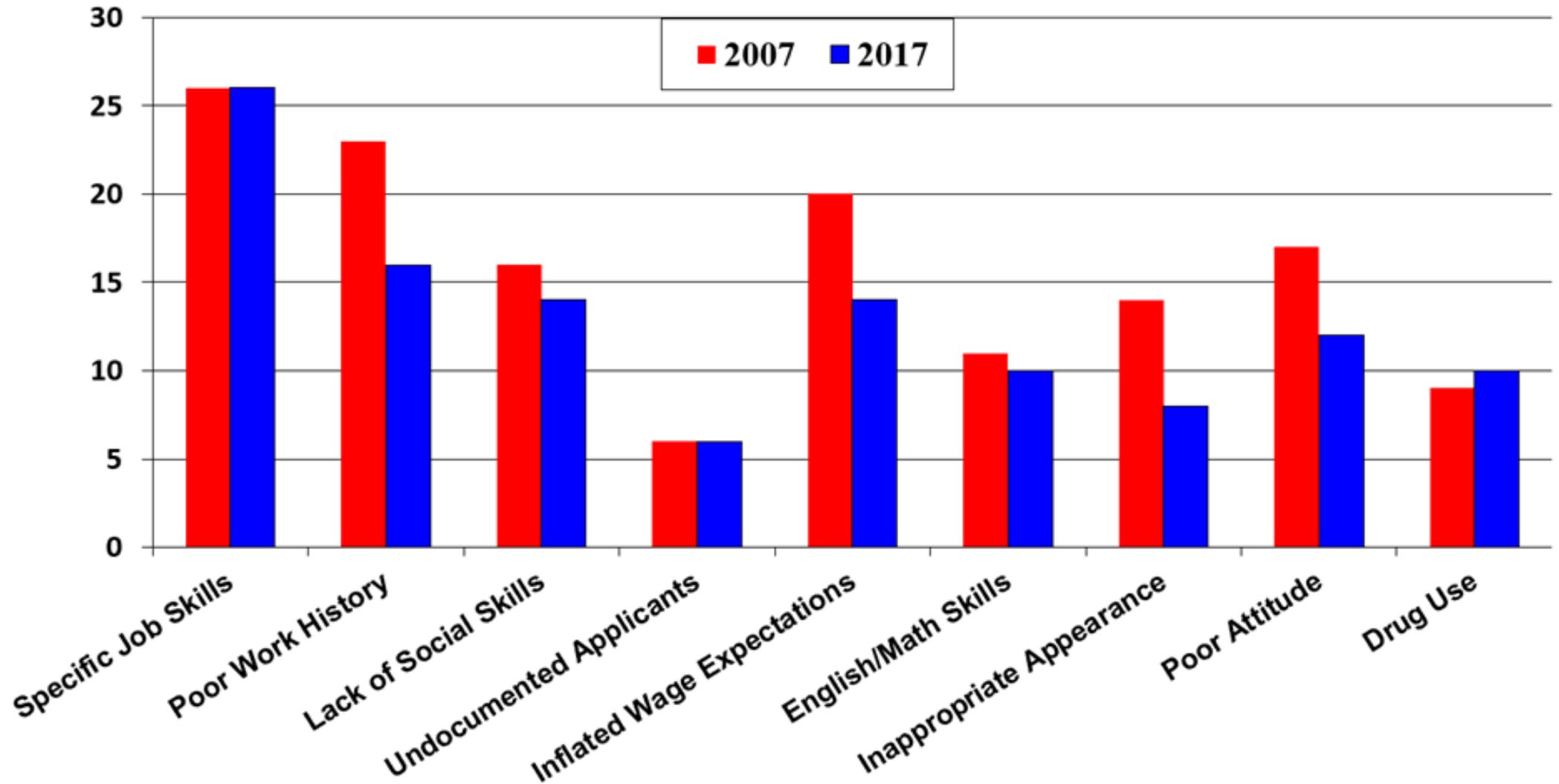
NET PERCENT OF OWNERS INCREASING EMPLOYMENT



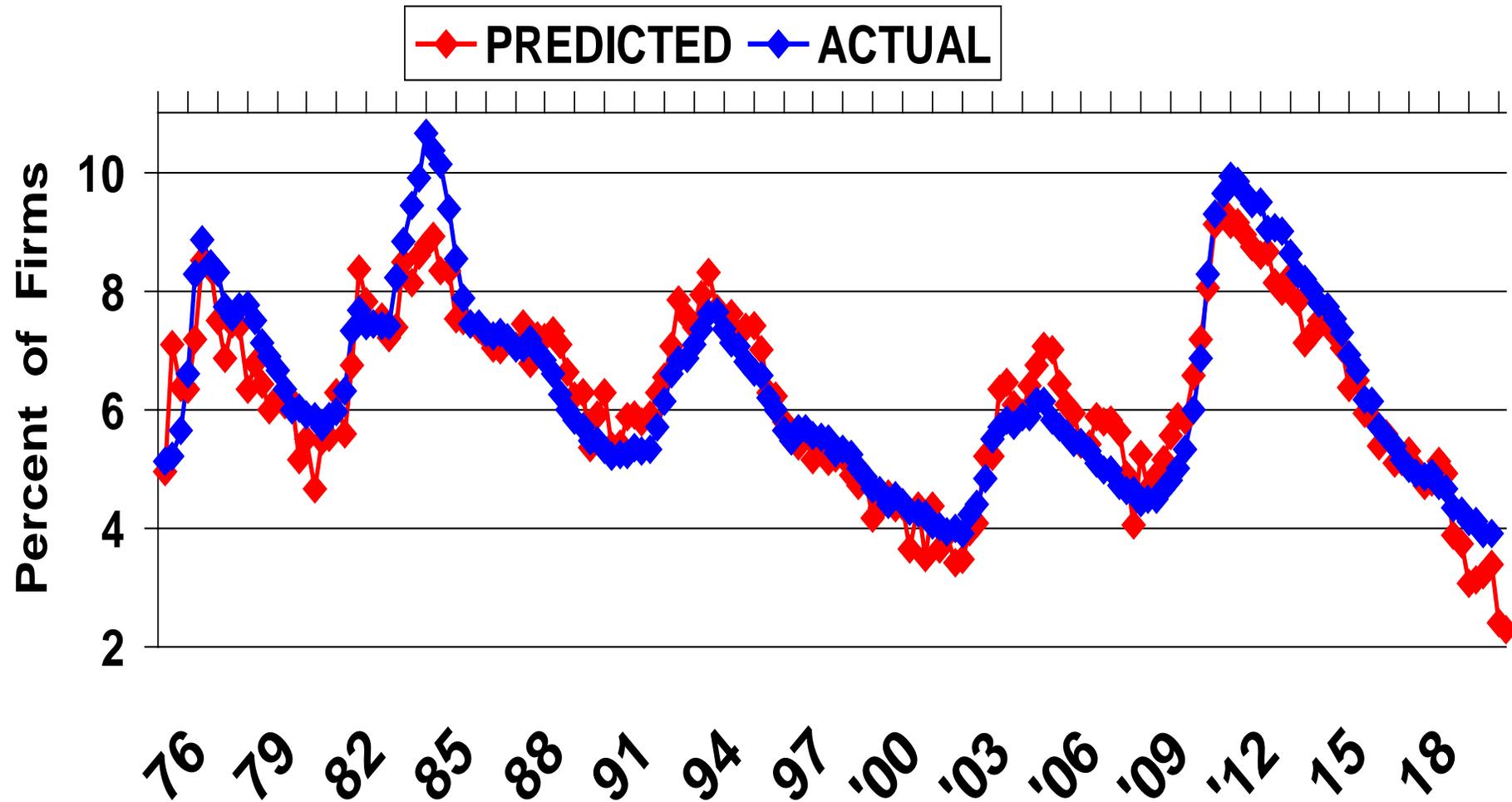
QUALIFIED JOB APPLICANTS



Typical Reason Applicants Not Qualified

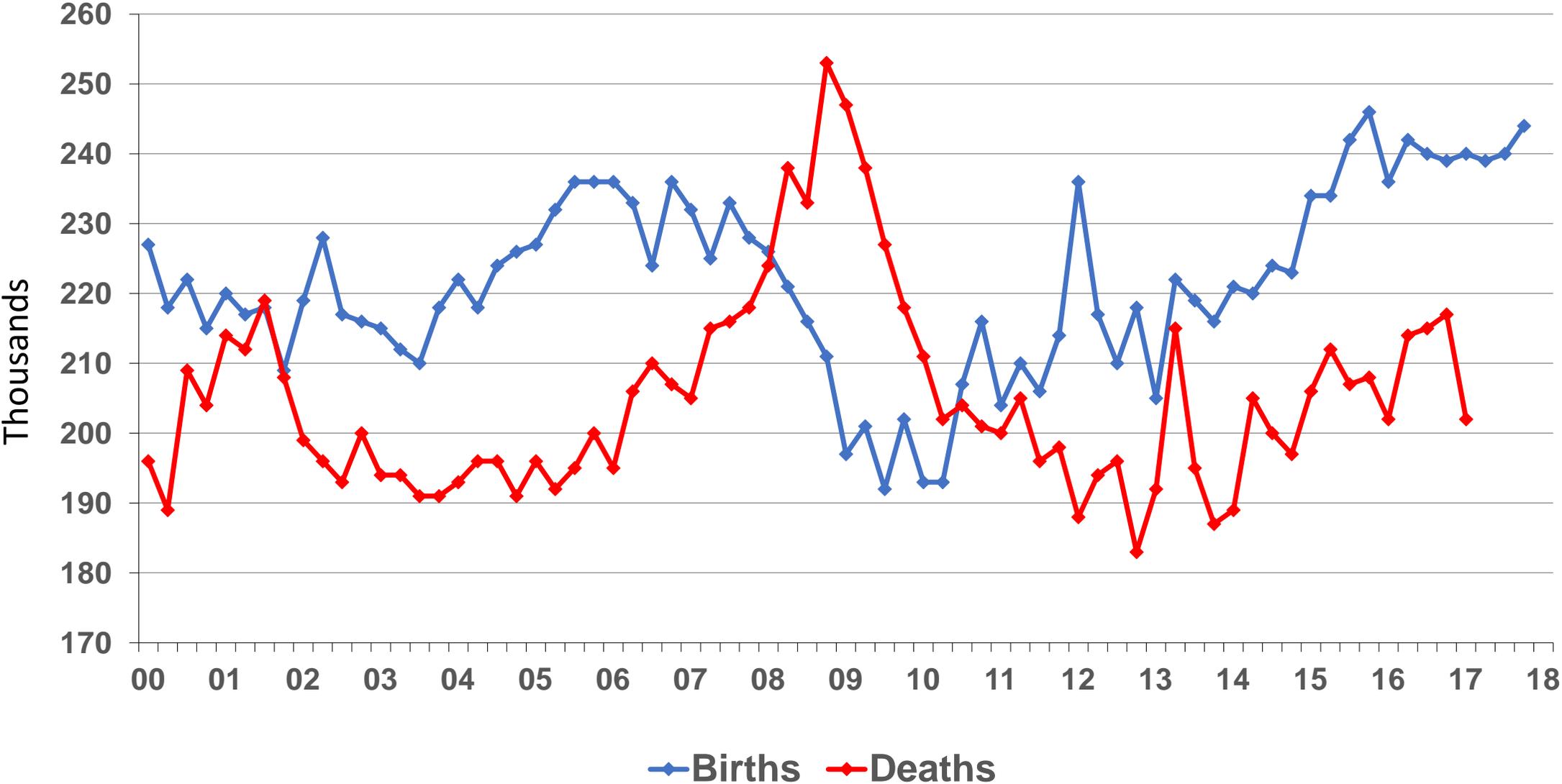


PREDICTED AND ACTUAL UNEMPLOYMENT RATE

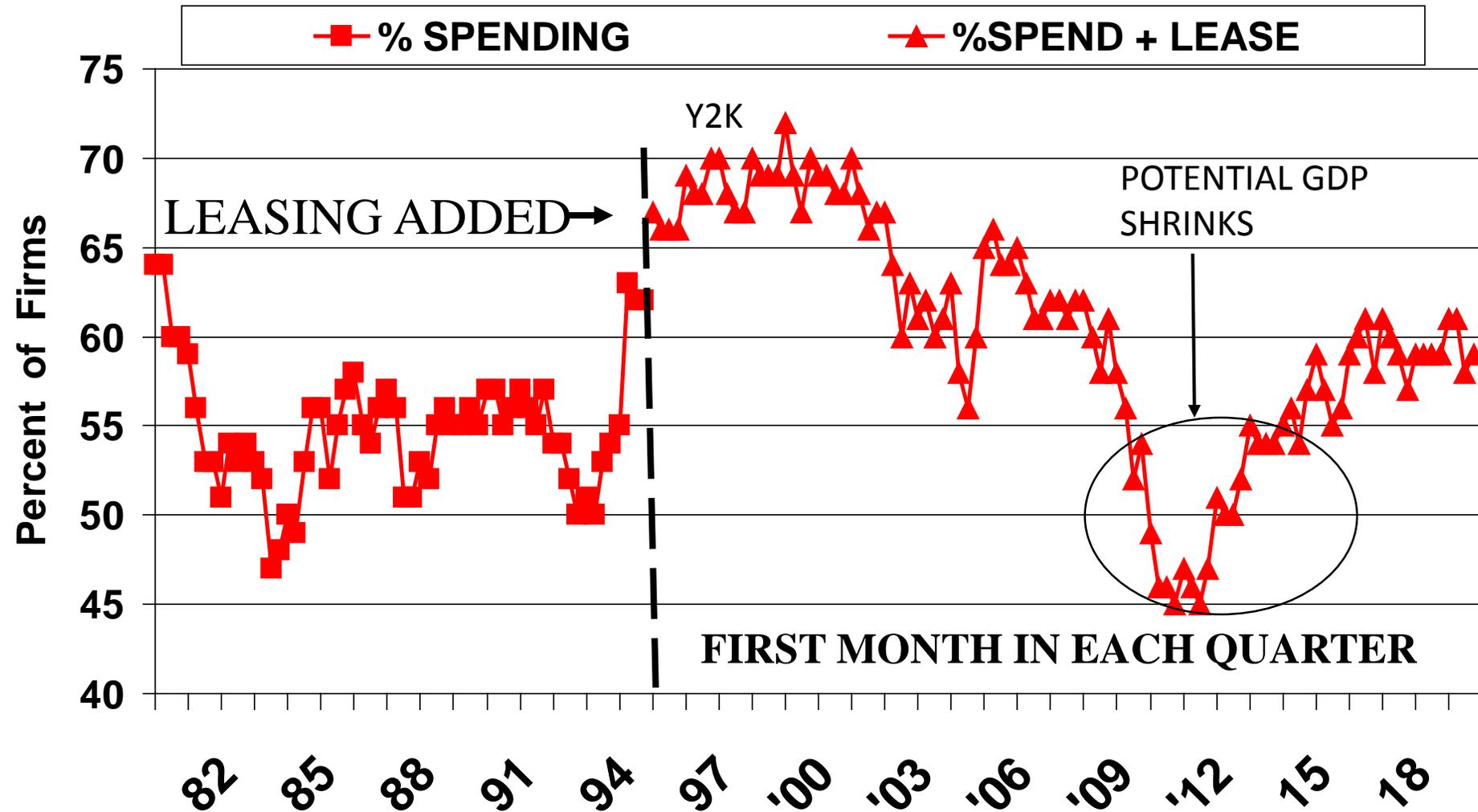


Private Sector Establishments Births and Deaths

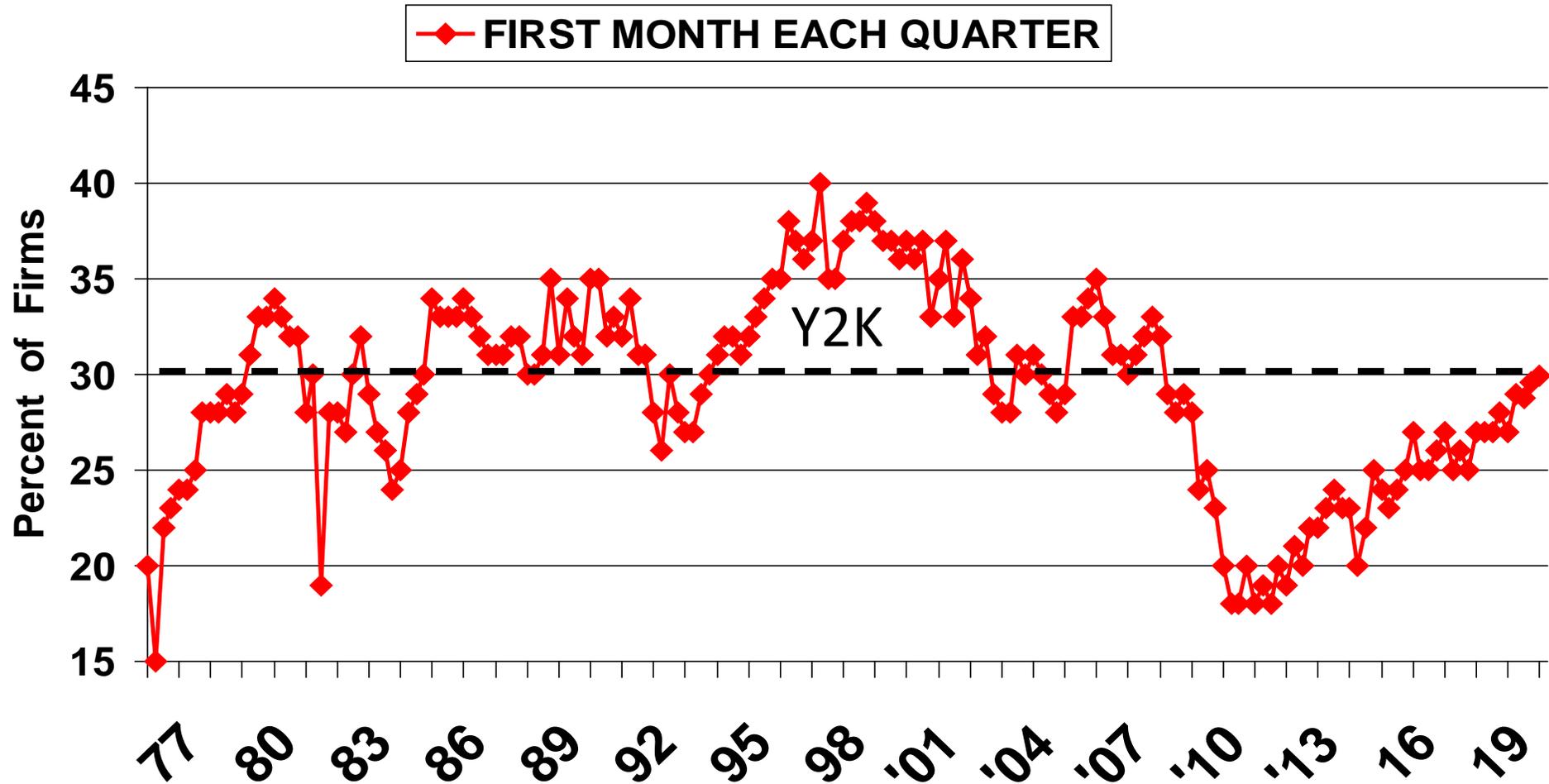
(Seasonally Adjusted)



ACTUAL CAPITAL OUTLAYS



PLANNED CAPITAL OUTLAYS (NEXT SIX MONTHS)

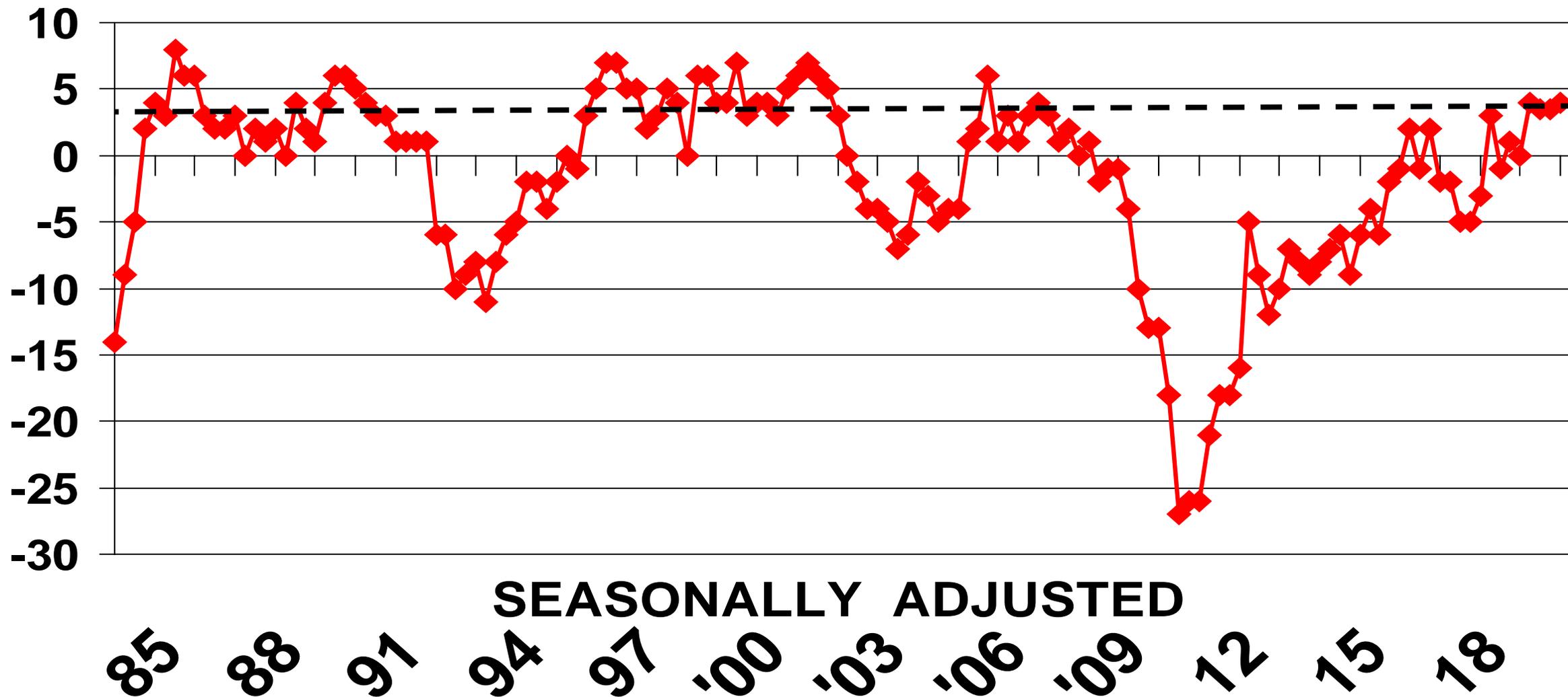




ACTUAL CHANGE IN INVENTORY

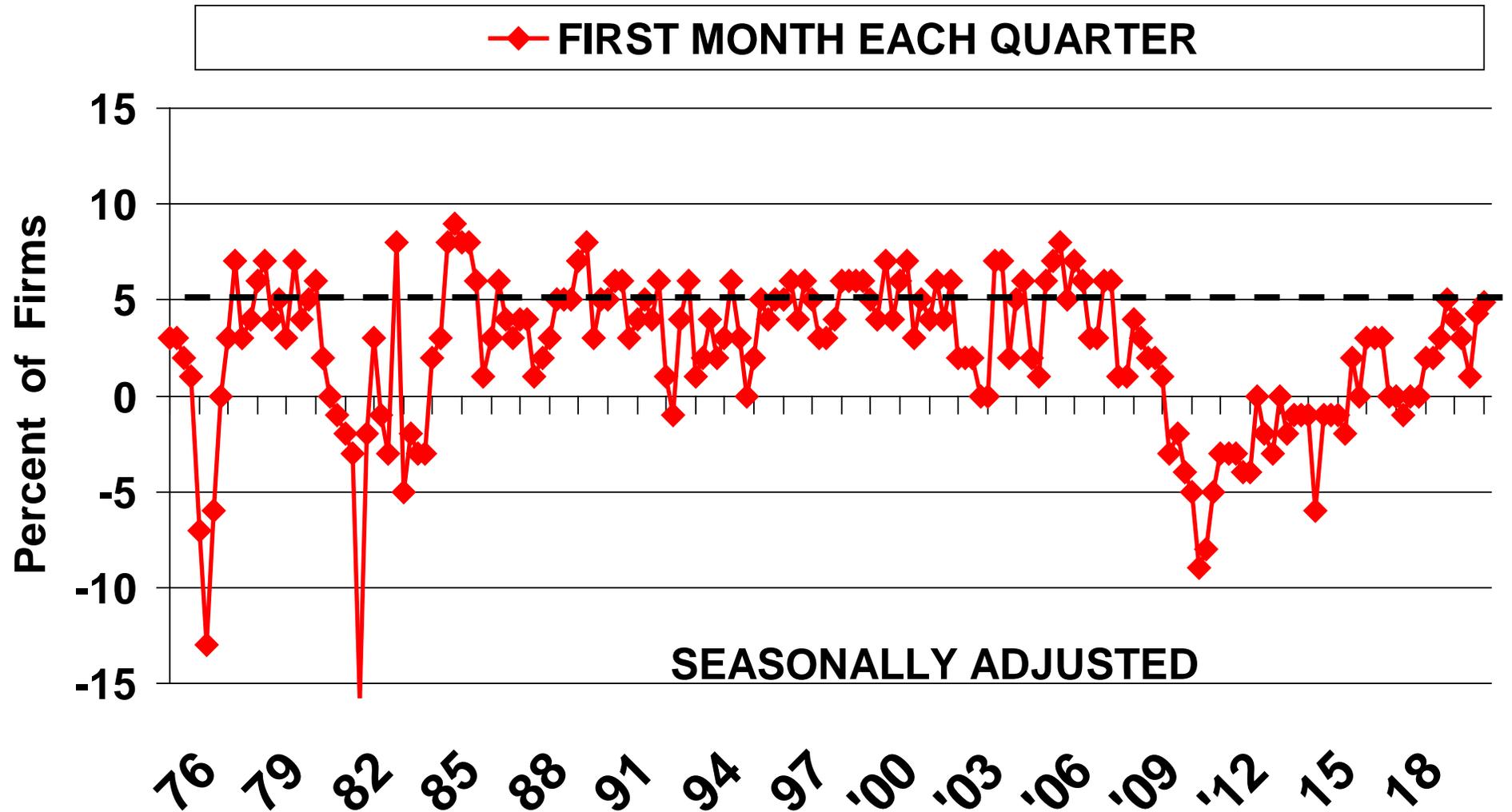
(% INCREASING - % REDUCING)

FIRST MONTH EACH QUARTER

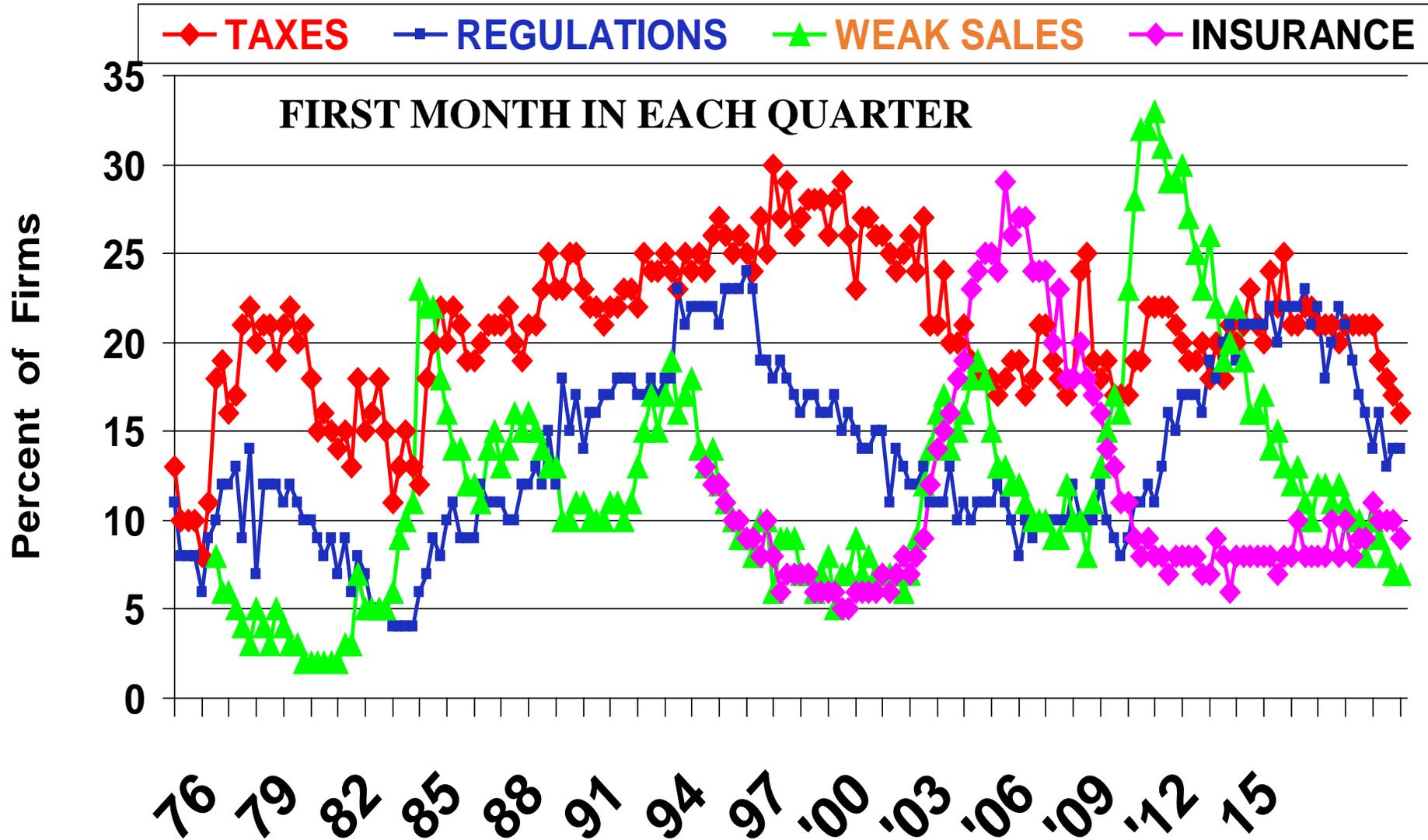


INVENTORY INVESTMENT PLANS

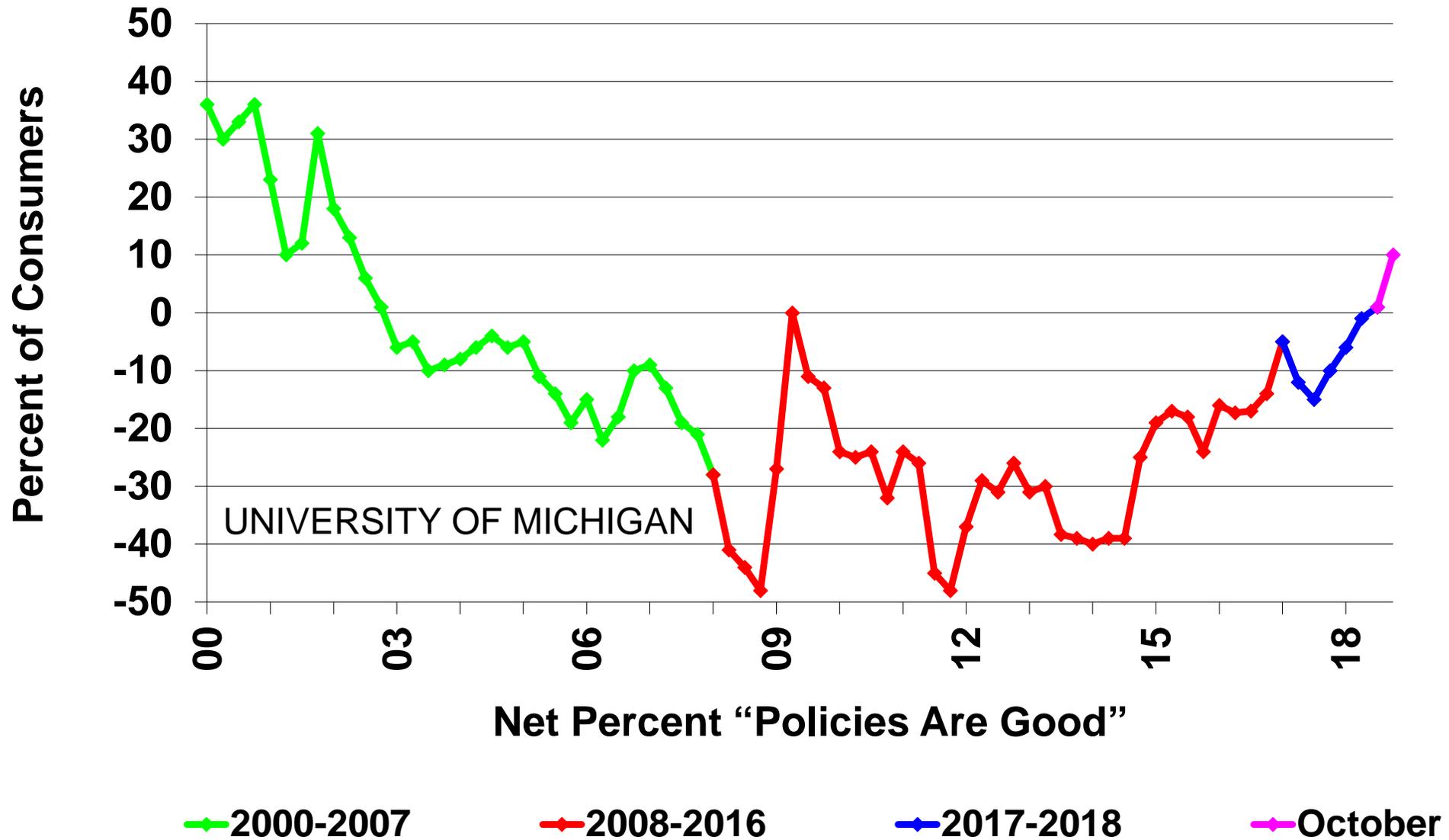
[% PLAN INCREASE – % PLAN DECREASE]



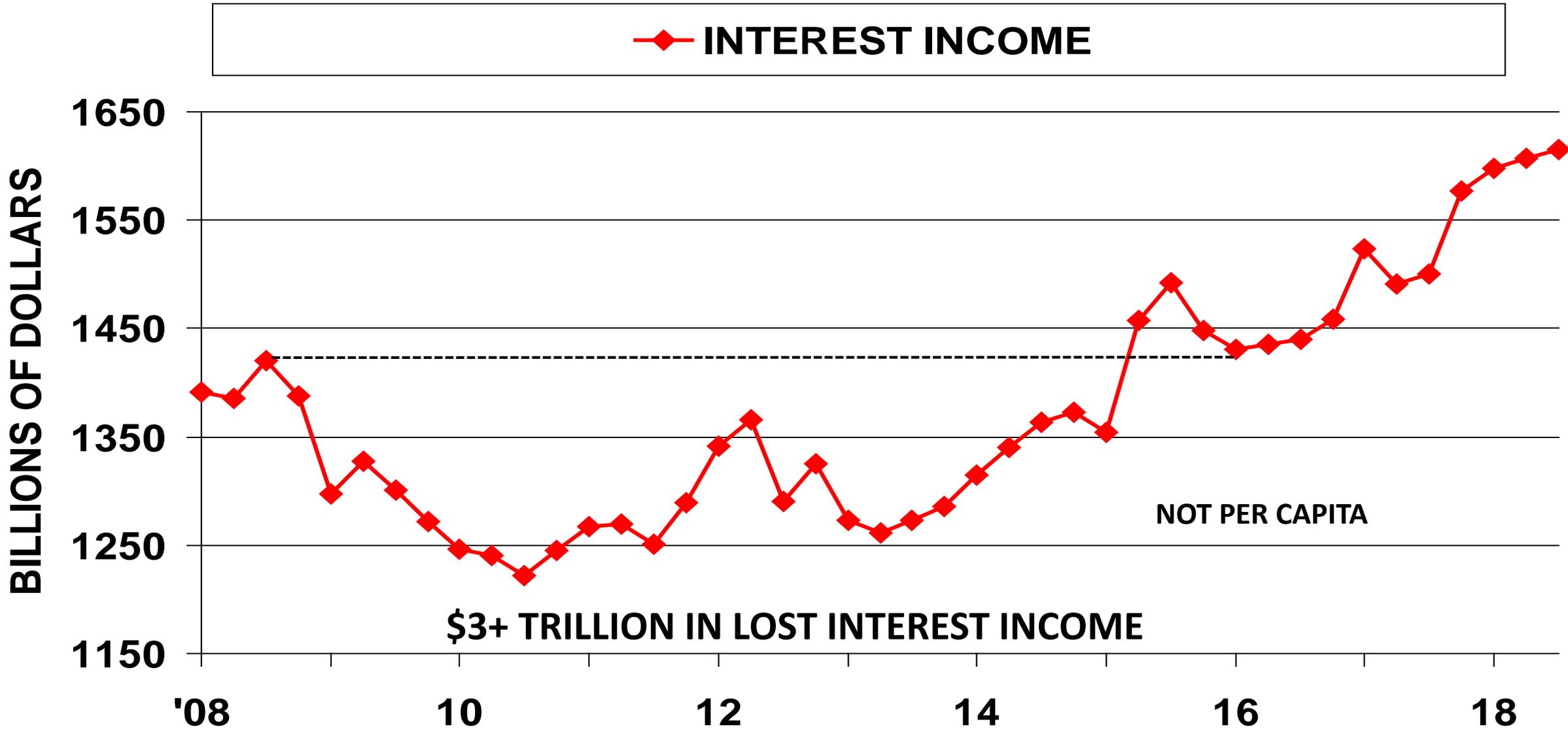
MOST IMPORTANT PROBLEMS



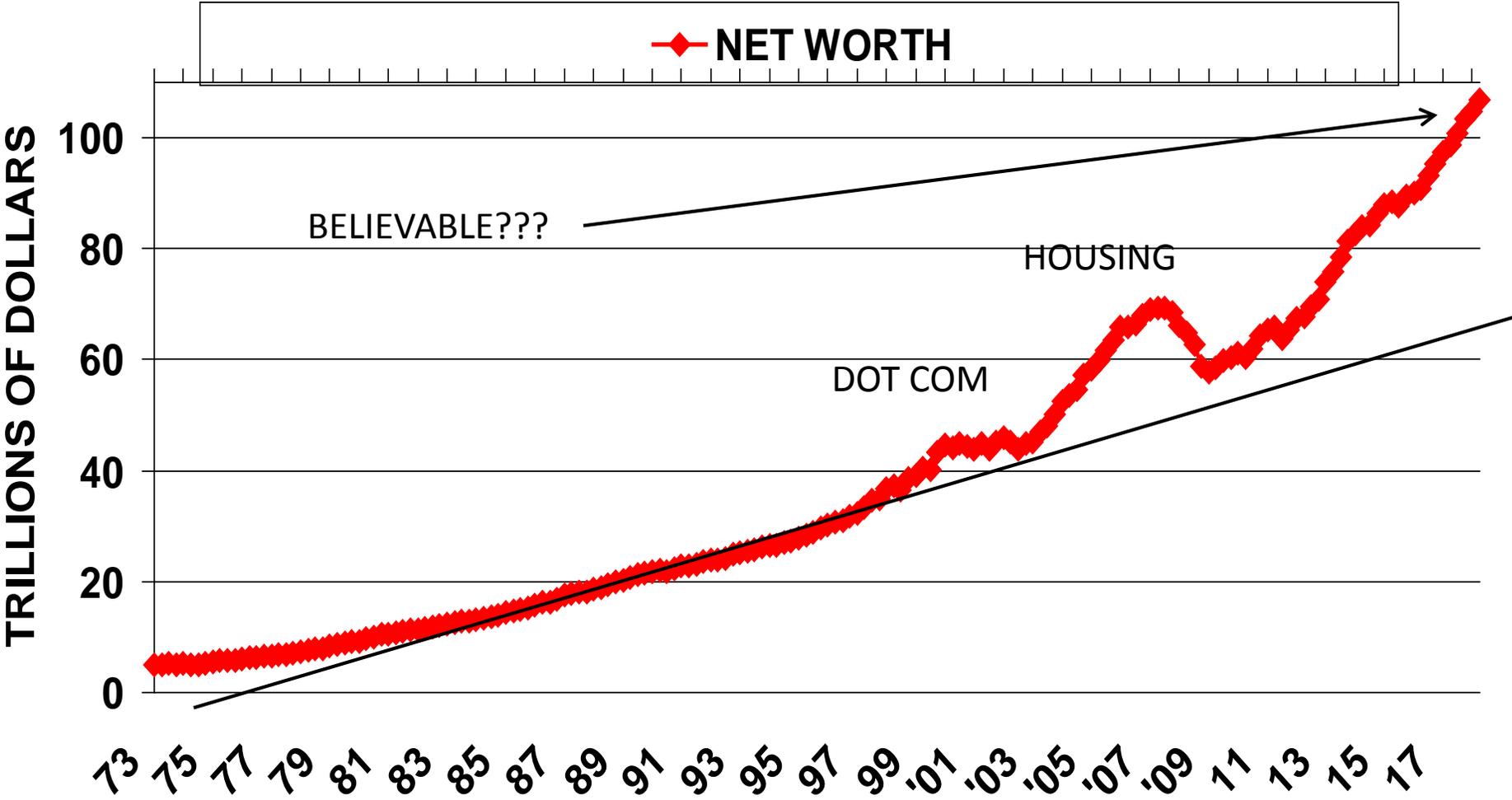
Rating of Government Policy



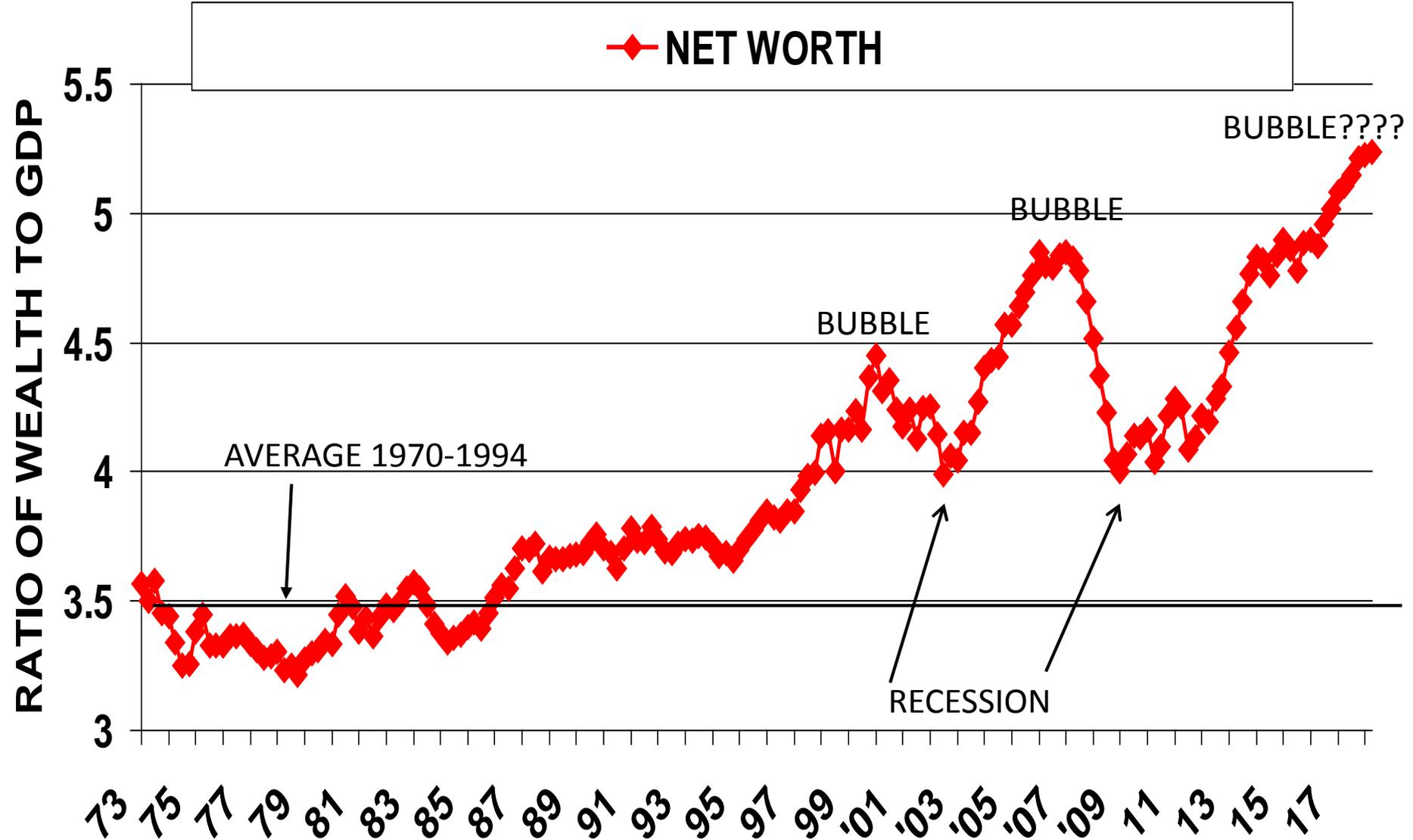
CONSUMER INTEREST INCOME



CONSUMER NET WORTH



CONSUMER NET WORTH RELATIVE TO GDP



TAX CUT!!!!
KEEP THE
HAND OF
GOVERNMENT
OFF YOUR
MONEY!



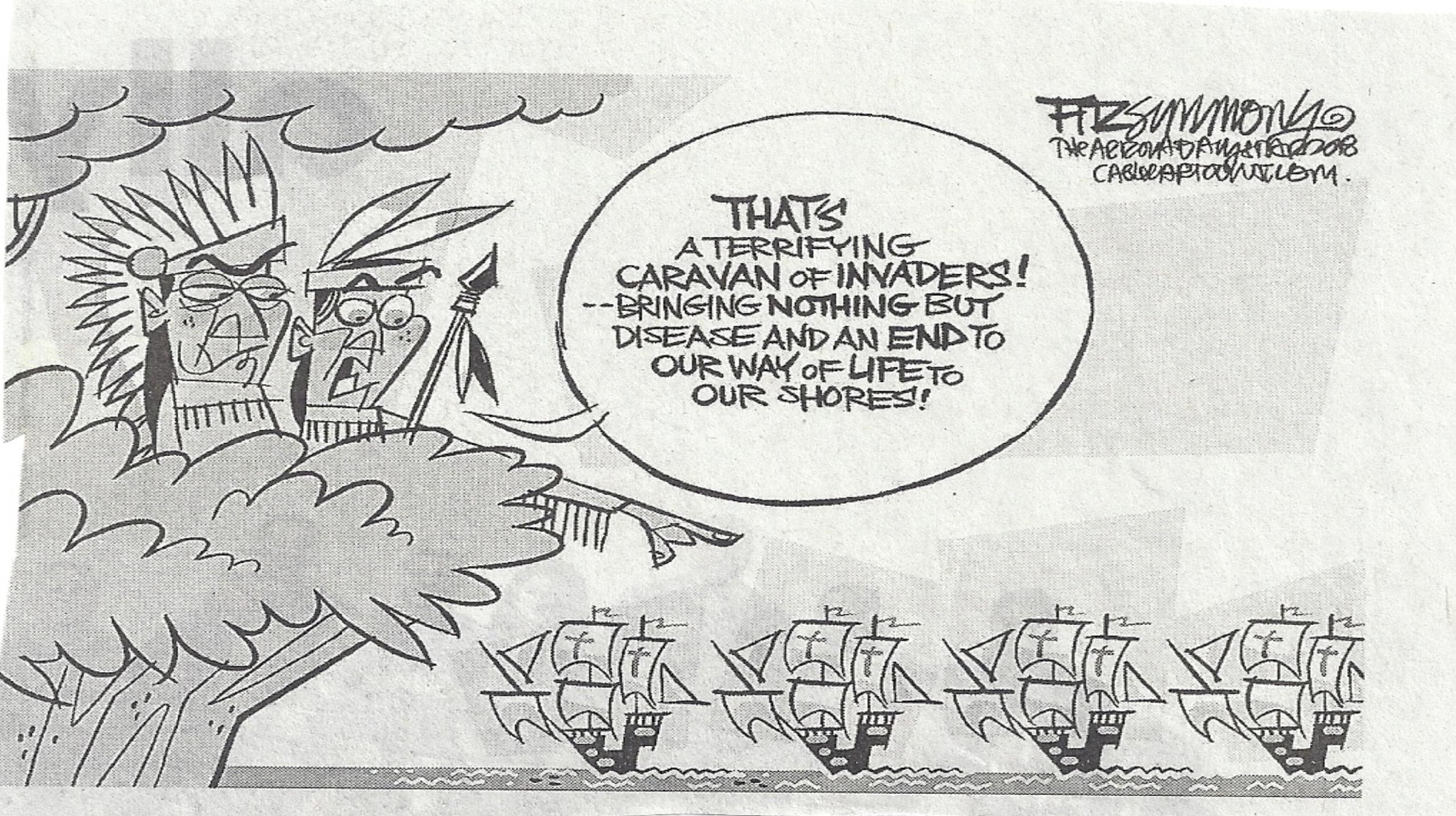
"CALL IT NOTHING BURGER, BUT WE GIVE INFORMATION ON CLINTON IF YOUR FATHER HELP KILL MOOSE & SQUIRREL..."



Andy
Marlette
NEWS Journal
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CARLETON WILSON.



THAT'S
A TERRIFYING
CARAVAN OF INVADERS!
--BRINGING NOTHING BUT
DISEASE AND AN END TO
OUR WAY OF LIFE TO
OUR SHORES!



I SAY, CLOSE
THE BORDERS!



TRUMP & XI
TO MEET
FACE TO FACE
AT THE G20
MEETING



IT APPEARS
THEY CANNOT WAIT
TO GIVE EACH
OTHER A HUG...

WAR

AH HA, SOCIALISM

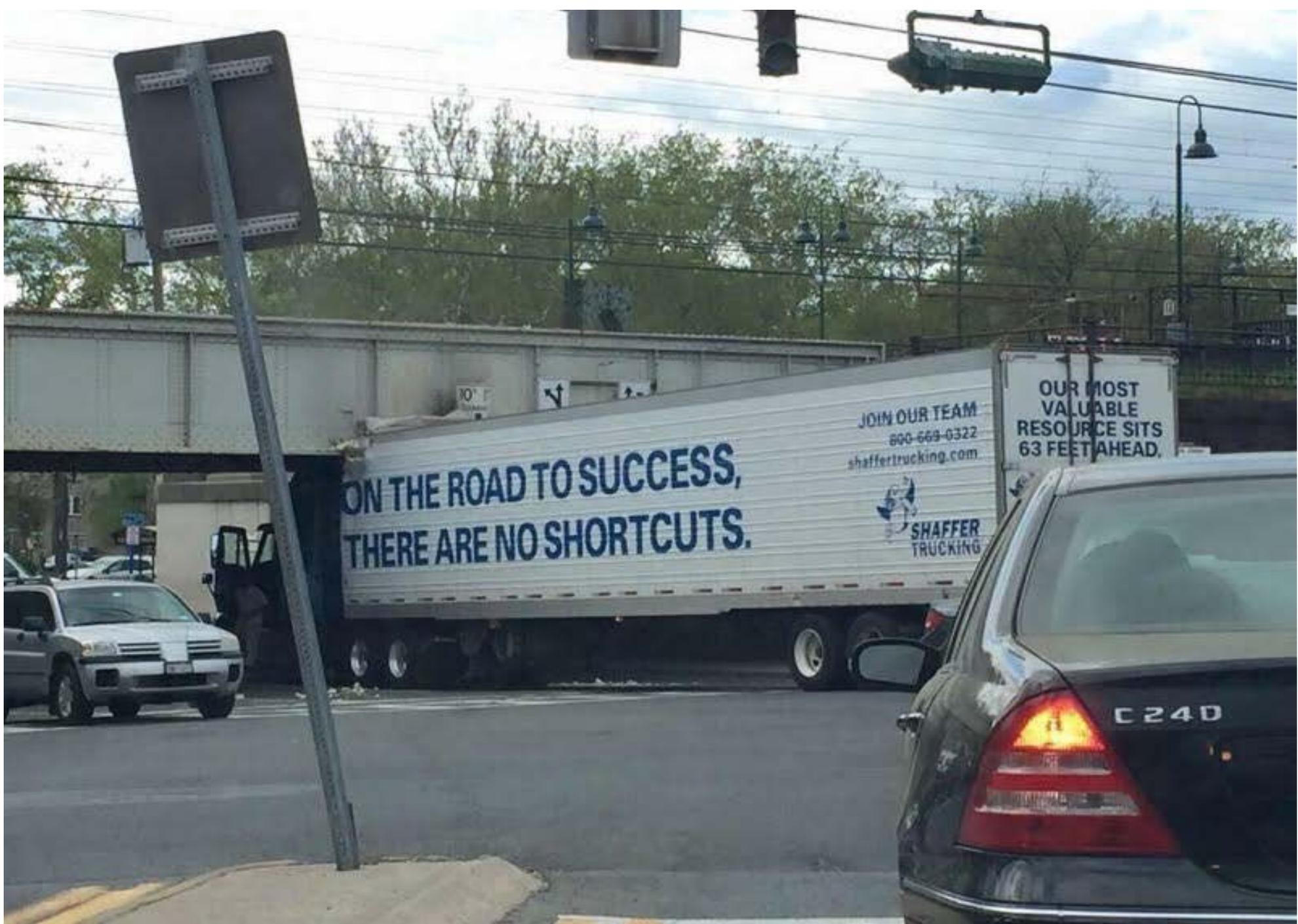


**I DON'T ALWAYS DRINK BEER
BUT WHEN I DO**

IT'S SOMEBODY ELSE'S

ECONOMIC FORECAST (GUESS)

- 1 SLOWER ECONOMIC GROWTH
- 2 HIGHER INTEREST RATES
- 3 HIGHER INFLATION - SHORTAGES
- 4 NO PROGRESS ON IMMIGRATION
- 5 TRADE ISSUES RESOLVE SOME
- 6 EUROPEAN UNION AND CHINA WEAKER
- 7 LITTLE LEGISLATION FROM HOUSE
- 8 EMPLOYMENT GROWTH SLOWS
- 9 COMPENSATION IMPROVES
- 10 STOCK MARKETS LOWER



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