

2015 MID-YEAR ECONOMIC REPORT



FOREWORD

The National Small Business Association (NSBA) is the nation's first small-business advocacy organization celebrating more than 75 years representing small business in Washington, D.C. Focused on federal advocacy and operating on a staunchly nonpartisan basis, NSBA is a recognized leader of America's small-business community. Throughout the year, we conduct a series of surveys, chief among them are our two Economic Reports which use NSBA survey data to provide a snapshot of how small businesses are dealing with the current economic situation and provide long-term trending data.

The 2015 Mid-Year Economic Report shows a small-business community continuing to move forward with regards to their own business growth, but with greater trepidation about the overall economy than they expressed six months ago. While the July 2015 survey showed a less positive overall small-business community than the December 2014 survey, the numbers do show continued long-term positive growth for America's small businesses.

Today, just 35 percent say the economy compared with one year ago is better, whereas in December 2014, that number was 45 percent. This shift is likely attributable to two key factors: 1) the ongoing cyclic downturn in outlook during the summer months, and 2) the Greece financial crisis and the halted trading on the New York Stock Exchange and subsequent stock drops were at the top of the news during the fielding of the survey. Furthermore, in looking at past surveys, there were significant gains in outlook in the December 2014 survey which corresponded with newly low gas prices at and broad positive reporting on the overall U.S. economy at that time.

Despite the drops in broad economic outlook, small-business owners (71 percent) continue to have confidence in the future of their own business. The majority do believe their businesses will grow in the coming year, although it is slightly lower than the December 2014 survey.

Interestingly, and perhaps one of the more notable data points in the survey was the jump in small-business owners who said they plan to hire new employees as part of their growth strategies in the coming 12 months, from 23 percent in December 2014 to 28 percent today. That is the highest this indicator has been in more than seven years

Furthermore, business growth remained on track over the

last six months with a notable drop among those who cited decreases in revenue from 34 percent to 29 percent today, the lowest this indicator has been in more than seven years. When it comes to employee compensation, 76 percent of small firms report they either increased wages in the last year or plan to do so in the coming year.

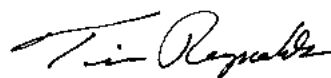
There was little change among small firms when it comes to the kind of financing their company used, however there was a drop among small firms who said they used no financing at all. This, coupled with projected hiring increases indicates there is growth on the horizon.

Finally, NSBA asked small-business owners to tell us the number one thing they want from our elected officials. The top response: simplify the tax system, followed closely by reduce the national deficit, reduce tax burdens, and end the partisan gridlock.

The 2015 Mid-Year Economic Report was conducted on-line June 24 - July 14, 2015 among 625 small-business owners—both members and nonmembers of NSBA—representing every industry in every state in the nation.

Please contact NSBA's media office for inquiries at press@nsba.biz.

Sincerely,



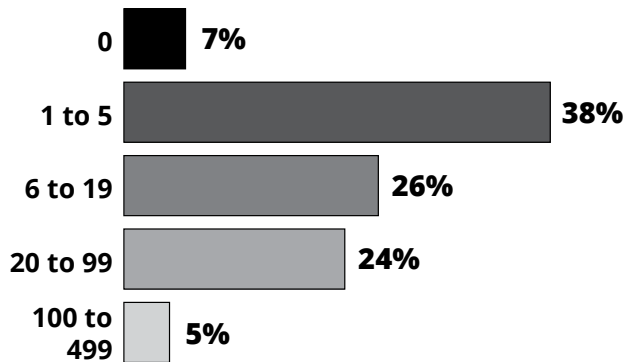
Tim Reynolds
NSBA Chair
Tribute, Inc.



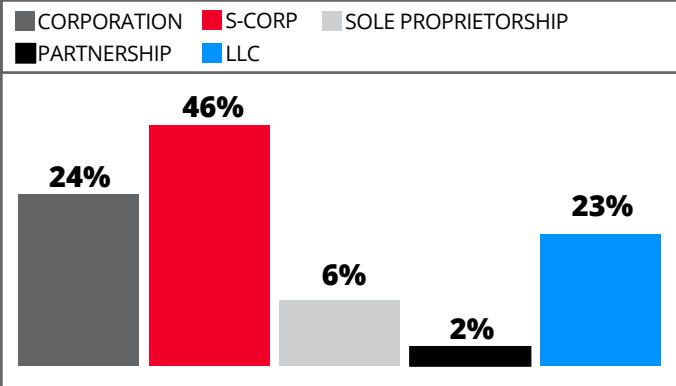
Todd McCracken
NSBA President and CEO

DEMOGRAPHICS

How many total full-time personnel are currently employed by your business?



Which of the following best describes the structure of your business?



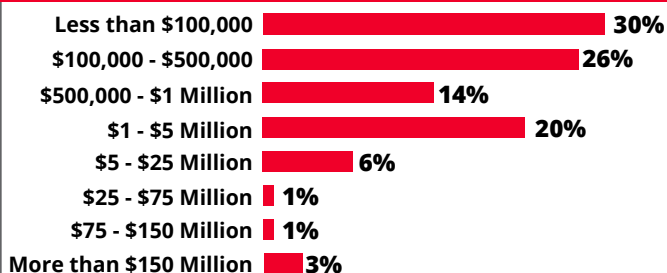
In what region is your business located?

New England	6%
Mid-Atlantic	22%
Great Lakes	15%
Farm Belt	8%
South	23%
Mountain	12%
Pacific	14%

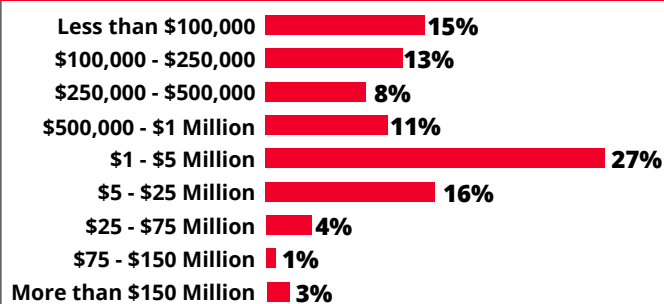
Which of the following best describes the industry or sector in which your business operates?

Manufacturing	19%
Construction	14%
Other Services (except Public Administration)	11%
Professional	11%
Retail Trade	8%
Information (IT)	7%
Scientific and Technical Services	6%
Health Care and Social Assistance	5%
Wholesale Trade	4%
Transportation and Warehousing	3%
Real Estate, Rental and Leasing	2%
Finance	2%
Agriculture, Forestry, Fishing and Hunting	1%
Management of Companies and Enterprises	1%
Educational Services	1%
Accommodation and Food Services	1%
Administrative and Support	1%
Insurance	1%
Waste Management and Remediation Services	1%
Public Administration	1%
Utilities	1%
Arts, Entertainment, and Recreation	1%
Mining	0%

What was your total payroll for the most recent fiscal year?



What were your gross sales or revenues for your most recent fiscal year?



ECONOMIC OUTLOOK

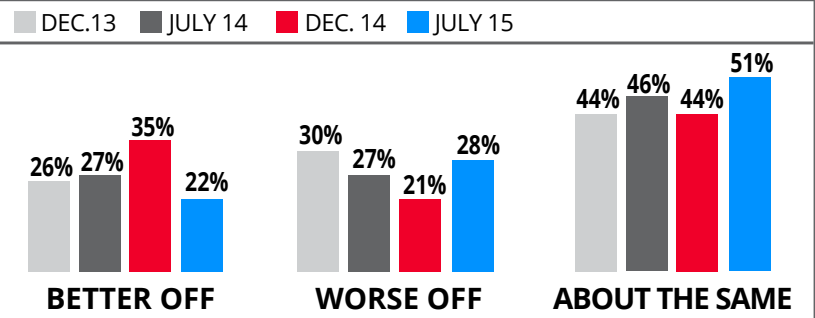
Small-business owners today have a slightly less optimistic outlook on the overall economy than they did six months ago. Today, just 35 percent say the economy compared with one year ago is better, whereas in December 2014, that number was 45 percent. While there weren't drastic shifts in broad outlook, the less positive opinions expressed are in-line with what has been a cyclic downturn in outlook during the summer months over the last several years NSBA has been conducting the survey. Another possible cause for the drop in optimism is the fact that the Greece financial crisis and the halted trading on the New York Stock Exchange and subsequent stock drops were at the top of the news during the fielding of the survey. Both events likely caused worry in small-business owners who typically are very aware of economic shifts or potential issues.

The comparisons of today's economy to six month, one year and five years ago all experienced decreases in positivity from the December 2015 survey—when markedly lower gas prices were still somewhat new—however all three indicators remain on the high end of the long-term spectrum.

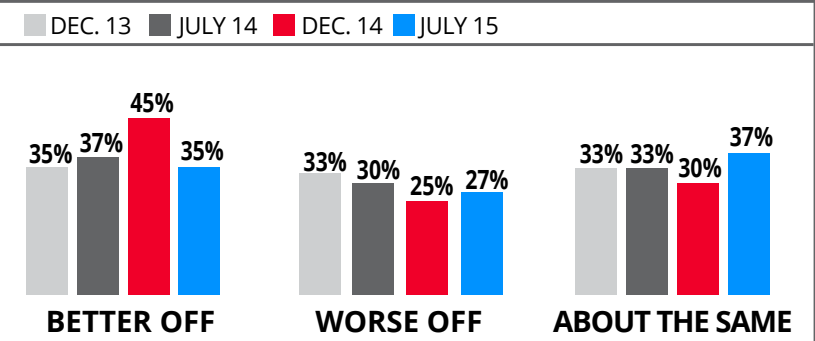
The survey also found a majority of small-business owners, 72 percent, are projecting a flat and/or recessionary economy in the coming 12 months. While a notable increase from the December 2015 survey, it is in-line with the continuous decreasing trend from 2008, and at 72 percent (excluding the December 2015 survey) is the lowest this indicator has been.

Another common trend in this survey was one of small-business owners expressing more confidence in their own business than they did the overall U.S. economy, underscored by the fact that a majority of small firms cited "economic uncertainty" as the most significant challenge to the future growth and survival of their business.

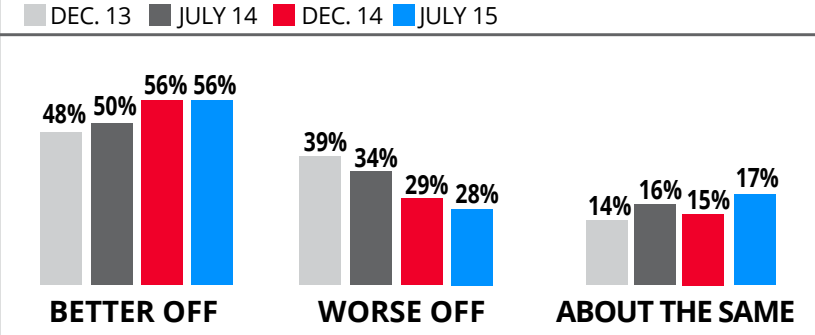
When compared with six months ago, would you say today's national economy is:



When compared with one year ago, would you say today's national economy is:



When compared with five years ago, would you say today's national economy is:

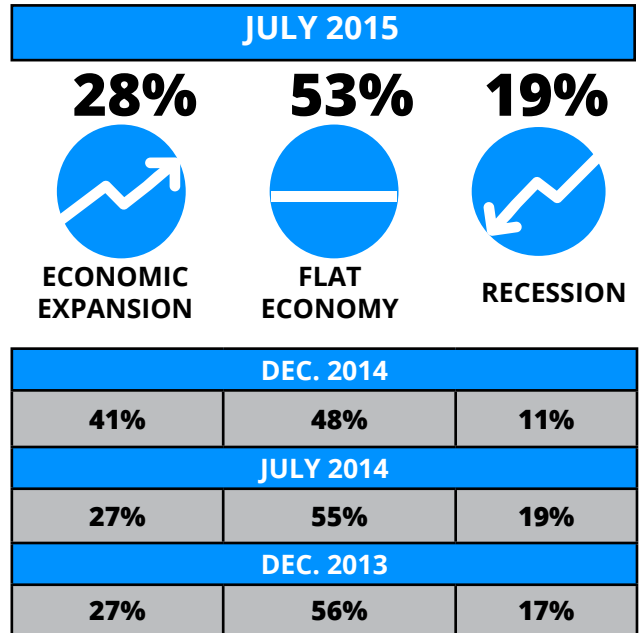


ECONOMIC OUTLOOK

What are the three most significant challenges to the future growth and survival of your business?

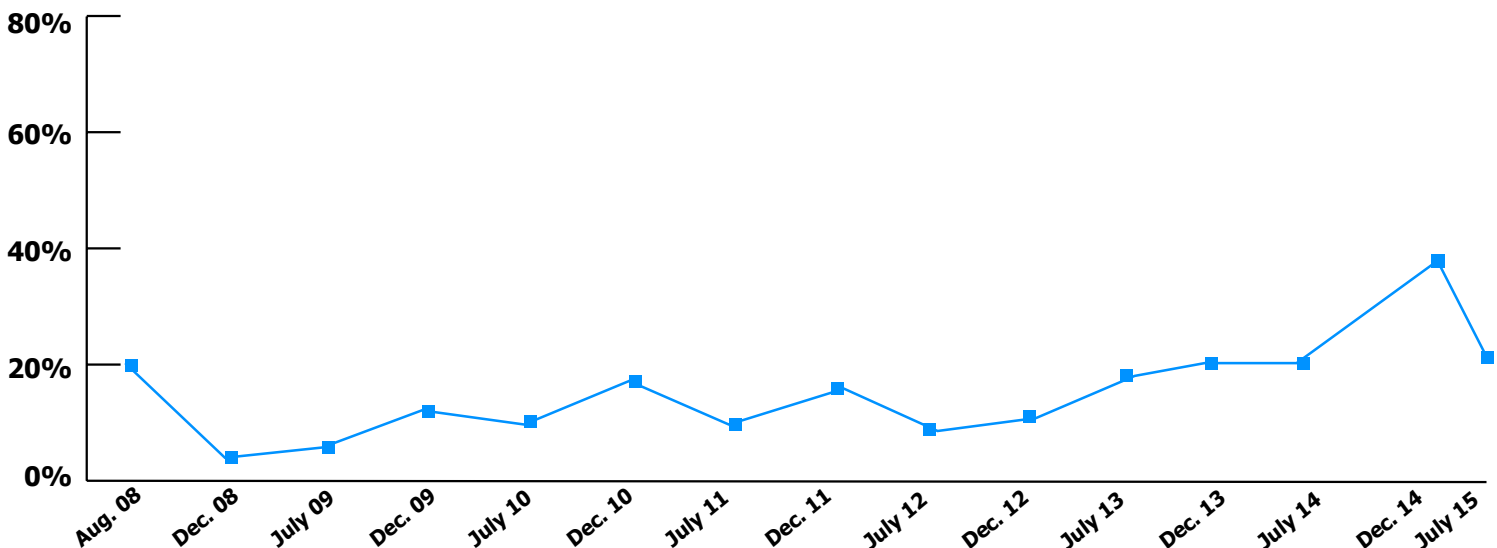
Economic uncertainty	51%
Cost of health insurance benefits	34%
Regulatory burdens	31%
Decline in customer spending	30%
Lack of qualified workers	26%
Federal taxes	23%
Lack of available capital	20%
Partisan gridlock in D.C.	14%
Cost of employee salaries	14%
State and local taxes	12%
Growing national debt	12%
Cost of employee benefits	8%
Cost of technology	7%
Foreign competition	6%
Cost of training workers	4%
No major challenges	2%

Thinking about the next 12 months, do you anticipate:



Thinking about the next 12 months, do you anticipate:

■ Economic Expansion



SMALL BUSINESS CONFIDENCE

The report found little change over the last six months when it comes to small-business owners' confidence about the future of their own business. Today, 71 percent expressed confidence about the future of their business, down slightly from 72 percent in December 2015.

There was a slight drop in the small-business owners who project growth for their firms in the coming year, from 54 percent in December 2015 to 47 percent today. While not a huge jump, it is likely driven by the drops in overall confidence in the U.S. economy.

Another factor that ties into this is the jump in small-business owners projecting rising interest rates in the coming year – from 33 percent in December 2015 to 40 percent today. While this could, on the one hand be driving economic insecurity, it could also speak to the fact that more businesses are projecting growth: growing small firms are more likely to seek financing, and thereby pay more attention to interest rates.

Do you believe there will be growth opportunities for your business in the coming year?



Yes



No



Already Growing

JULY 2015		
47%	33%	20%
DEC. 2014		
54%	28%	18%
JULY 2014		
46%	37%	17%
DEC. 2013		
47%	38%	15%

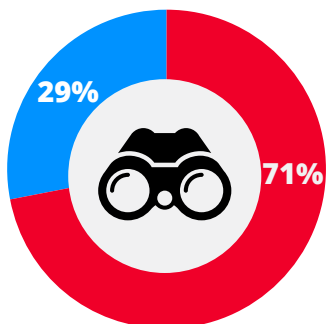
Do you foresee any of the following issues being a problem for your business in the coming 12 months?



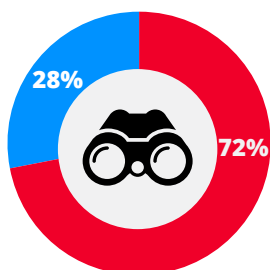
	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Inflation	37%	34%	46%	41%
Deflation	5%	8%	4%	5%
Rising interest rates	40%	33%	34%	36%
None of the above	42%	48%	39%	41%

From a financial perspective, how do you feel right now about the future for your business?

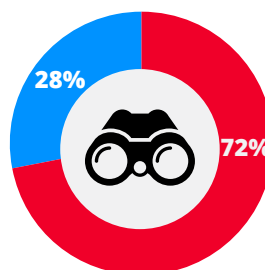
■ Confident ■ Not Confident



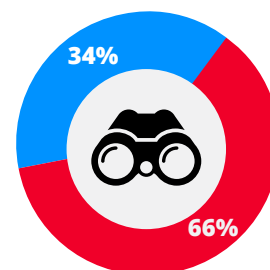
JULY 15



DEC. 14



JULY 14



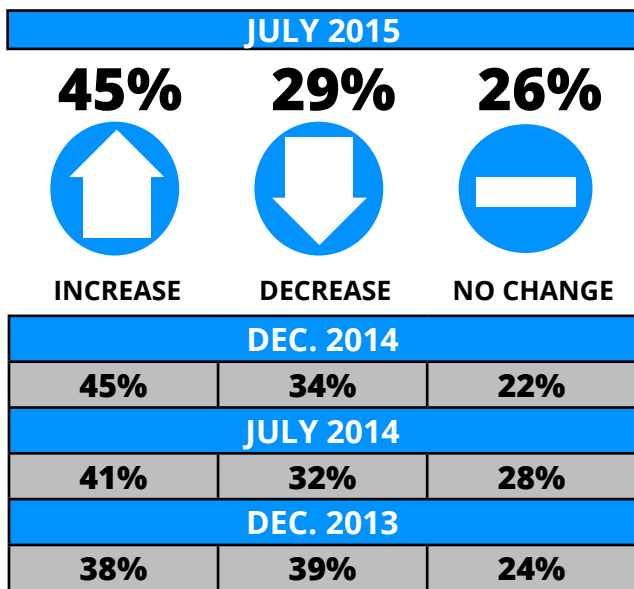
DEC. 13

BUSINESS GROWTH

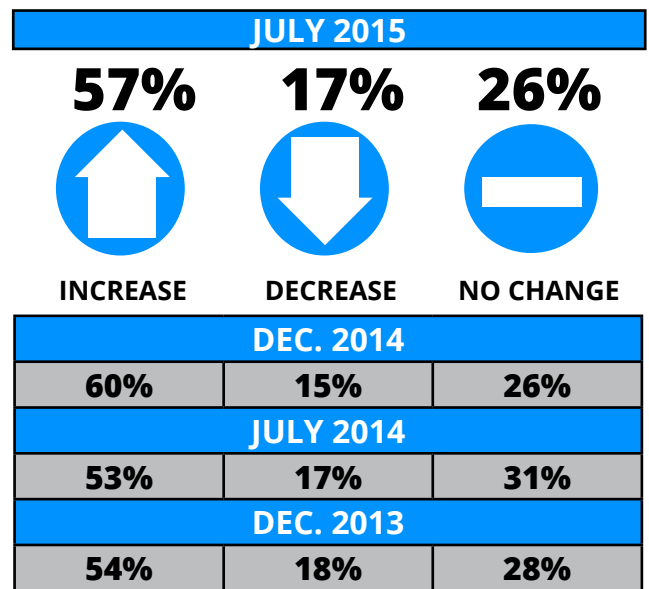
Contrary to the broad economic outlook, business growth appeared to stay on track over the last six months. There was no change among small firms who cited increases in revenues, however there was a drop among those who cited decreases in revenue from 34 percent to 29 percent today, the lowest this indicator has been in over seven years.

When it comes to profits over the last year, small businesses were split in thirds between increases, decreases and no change in profits. Looking forward to the coming year, however, small firms projected less growth than they did just six months ago, likely driven by a less optimistic economic outlook.

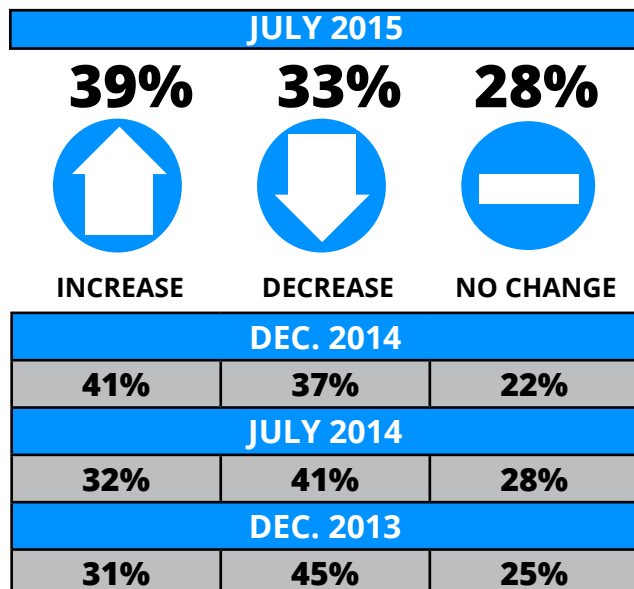
How did your gross sales/revenues change over the last 12 months?



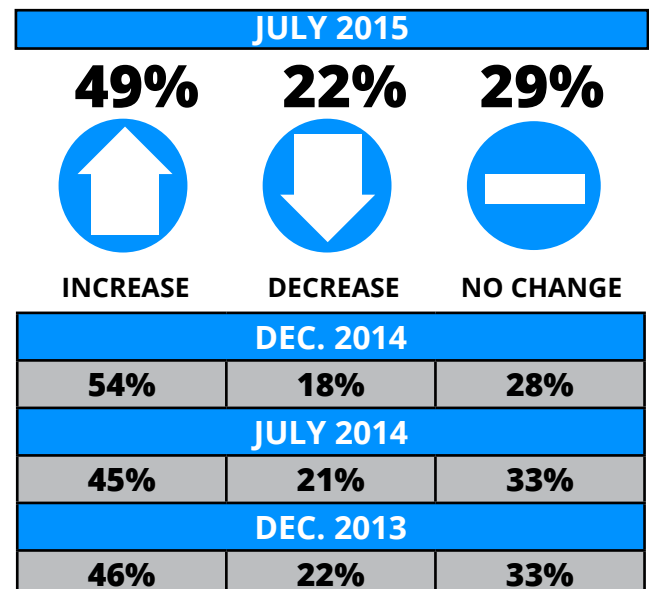
How do you expect gross sales/revenues to change over the next 12 months?



How did net profits change over the last 12 months?



How do you expect net profits to change over the next 12 months?



JOB GROWTH

There was minimal change among small-business owners when asked about job growth over the past six months. The majority, 56 percent, said they did not change their number of workers whatsoever while 23 percent said they hired new employees. Looking forward, 33 percent said they planned to hire in the coming 12 months while 58 percent projected no change in workforce.

When it comes to employee compensation, 50 percent reported they increased employee compensation over the last 12 months and 52 percent said they plan to increase wages in the coming 12 months. A total of 76 percent of small firms report they either increased wages in the last year or plan to do so in the coming year.

Perhaps one of the more notable data points in the survey was the jump in small-business owners who said they plan to hire new employees as part of their growth strategies in the coming 12 months, from 23 percent in December 2014 to 28 percent today. That is the highest this indicator has been in more than seven years

How did the number of employees change over the last 12 months?



JULY 2015		
23%	21%	56%
DEC. 2014		
22%	19%	60%
JULY 2014		
23%	19%	58%
DEC. 2013		
22%	24%	54%

How do you expect the number of employees to change over the next 12 months?



JULY 2015		
33%	9%	58%
DEC. 2014		
35%	8%	57%
JULY 2014		
33%	11%	57%
DEC. 2013		
30%	10%	60%

How did employee compensation change over the last 12 months?

	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Increase	50%	50%	47%	45%
Decrease	11%	15%	11%	15%
No Change	39%	35%	42%	39%

How do you expect employee compensation to change over the next 12 months?

	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Increase	52%	55%	50%	46%
Decrease	5%	7%	7%	8%
No Change	43%	38%	43%	45%

JOB GROWTH

Which of the following growth strategies will you use in the next 12 months?

New advertising and marketing strategies	49%
Internet / Expand E-commerce	30%
Strategic alliance	30%
Hire new employees	28%
No growth strategies will be used in the next 12 months	18%
Joint Venture	12%
Investments in R&D	13%
Expand operations to new facilities/add additional stores	11%
Outsourcing	8%
Acquisition	7%
Merger	4%
Other	7%

Perhaps one of the more notable data points in the survey was the jump in small-business owners who said they plan to hire new employees as part of their growth strategies in the coming 12 months, from 23 percent in December 2014 to 28 percent today. That is the highest this indicator has been in more than seven years

SMALL BUSINESS FINANCING

According to NSBA data from as far back as 1993, there is a clear correlation to a small-business owner's ability to hire and his/her ability to get financing. Today, two-thirds of small firms report being affected by the credit crunch. When asked about their ability to garner financing, 31 percent said they still cannot.

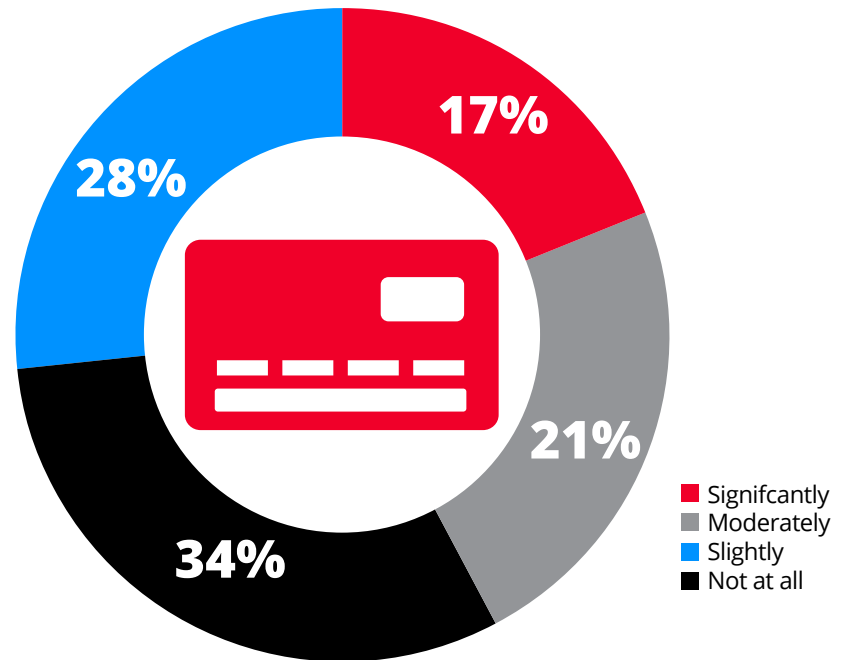
There was little change among small firms when it comes to the kind of financing their company used, however there was a drop among small firms who said they used no financing at all. This, coupled with projected hiring increases indicates there is growth on the horizon. Unfortunately, we're still seeing the ongoing two-speed recovery, where the economy for larger firms appears to be going full-steam-ahead while small firms continue to make modest improvements here and there.

Another indicator of growth: small businesses report increased debt. Eighty-two percent of small firms report carrying some kind of small-business debt, up from 76 percent in December 2014, and the average size of that debt has increased as well. This underscores the idea that growth is slowly happening and more is just around the corner as few small-business owners will take on new debt or increase their debt unless there are solid growth opportunities. This indicator cuts the other way as well, however: with increasing interest rates, the fact that more small-business owners have debt that costs more could also be contributing to the increased negativity in broad economic outlook.

The absence of capital continues to hinder small-business owners' ability to finance increased sales and increase inventory to meet demand. One-third of small firms say an inability to access capital prevents them from growing their business and expanding operations.

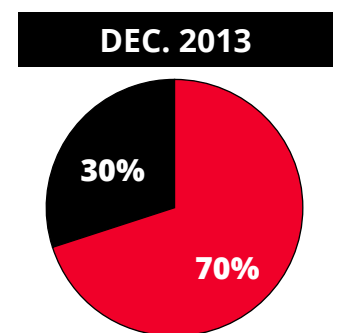
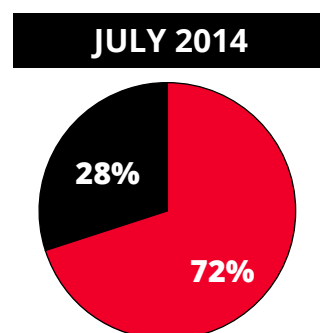
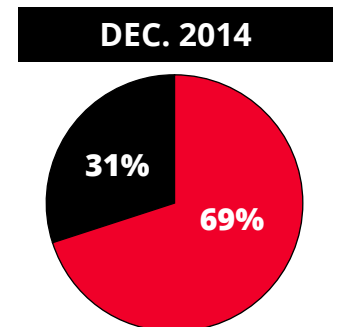
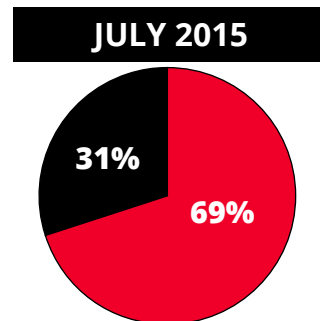
New to the survey, NSBA asked a few questions about credit card fraud and security, and found that more than one-in-four small-business owners have been impacted by credit card fraud. When asked how the implementation of new PIN and Chip credit cards would impact their firms, one-third responded that they just weren't sure.

Has your business been impacted by the credit-crunch?



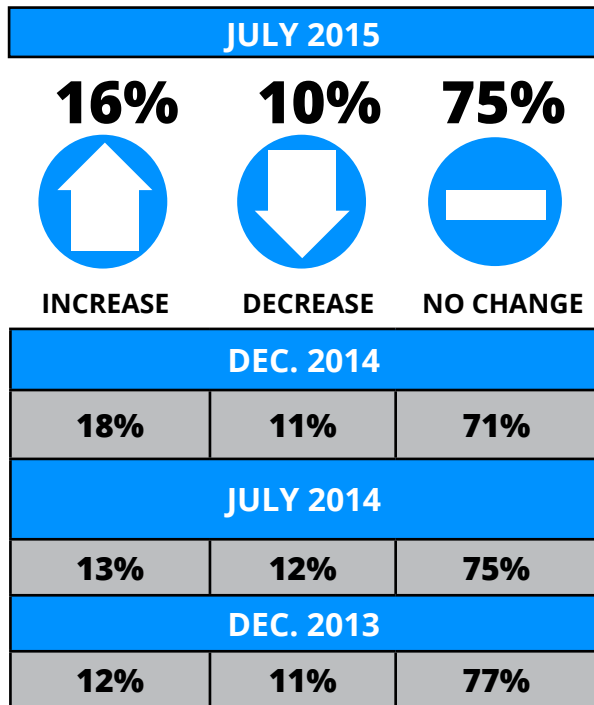
Is your business able to obtain adequate financing?

■ YES ■ NO



SMALL BUSINESS FINANCING

Have you experienced any of the following changes on any of your lines of credit or on your credit cards in the last six months?



For bank loans that are currently outstanding, which of the following has occurred in the last 12 Months?

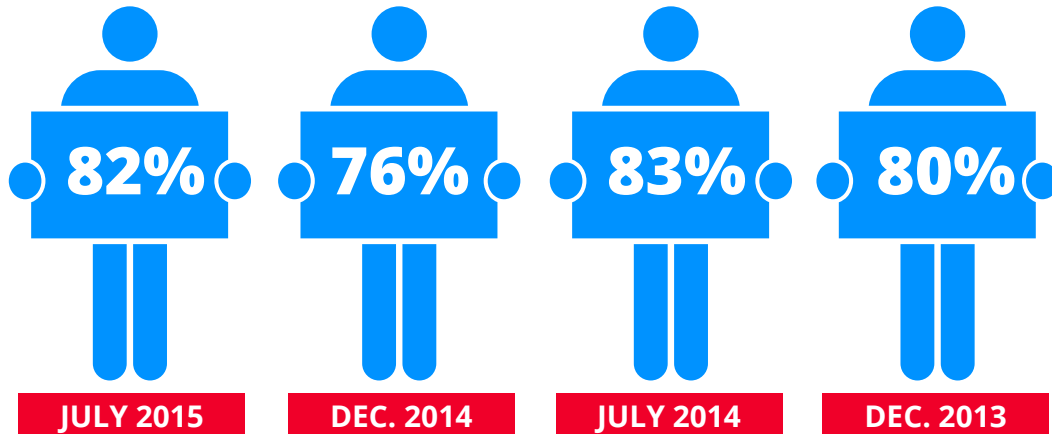
	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Terms have become less favorable to your business	11%	9%	10%	13%
Terms have stayed the same	42%	39%	38%	41%
Terms have become more favorable to your business	4%	5%	6%	5%
Do not have outstanding loans	43%	47%	45%	41%

What types of financing has your company used within the past 12 months to meet your capital needs?

	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Bank Loan (Total of 3 options below)	42%	41%	40%	41%
--Community Bank Loan	18%	20%	19%	19%
--Credit Union Loan	5%	4%	2%	3%
--Large Bank Loan	20%	17%	19%	20%
Earnings of the business	37%	35%	32%	34%
Credit cards	34%	36%	30%	33%
Used no financing	25%	27%	28%	27%
Vendor credit	18%	19%	15%	17%
Private loan (friends or family)	16%	18%	17%	17%
Leasing	7%	6%	6%	6%
Small Business Administration (SBA) loan	5%	3%	4%	3%
Online or non-bank lender	2%	1%	1%	1%
Private placement of debt	2%	2%	2%	3%
Venture capital/Angel investors	1%	2%		
Private placement of stock	1%	1%	2%	1%
Selling/pledging accounts receivable	1%	3%	2%	2%
State/Regional Loan and Incentive Programs	1%	1%	1%	1%
Other	5%	5%	5%	5%

SMALL BUSINESS FINANCING

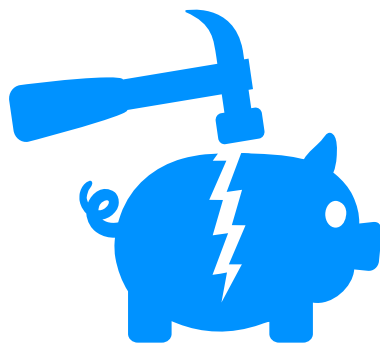
Percentage of Small Businesses Carrying Any Debt



Please estimate your small businesses total debt, including loans, credit cards, property mortgage, invoices owed, etc...

	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Debt 1 to 50k	29%	33%	29%	28%
Debt 51k to 100k	14%	13%	14%	11%
101k to 500k	30%	30%	32%	35%
501K to 1mil	10%	9%	10%	12%
More than 1mil	16%	14%	16%	18%

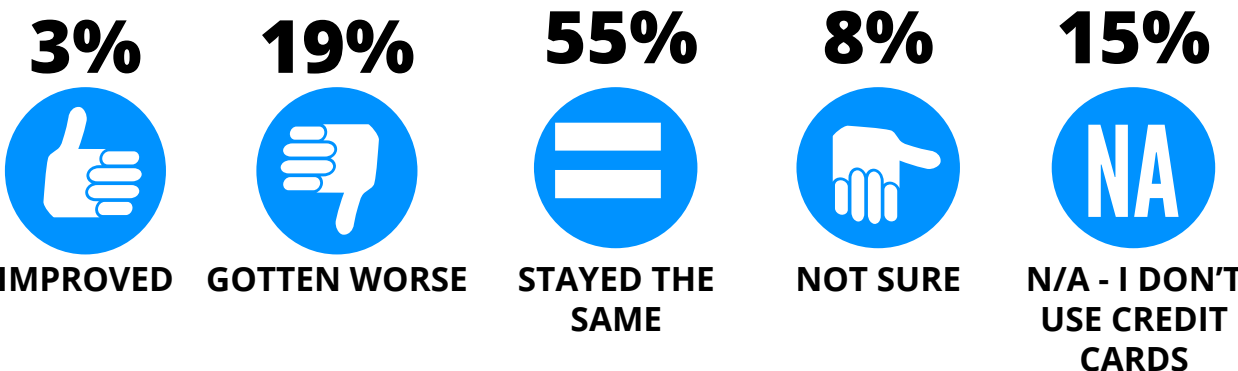
Average debt among those that do have debt



SMALL BUSINESS FINANCING

Do you believe that the terms of the credit cards you use for business have improved or gotten worse over the last SIX MONTHS?

JULY 2015



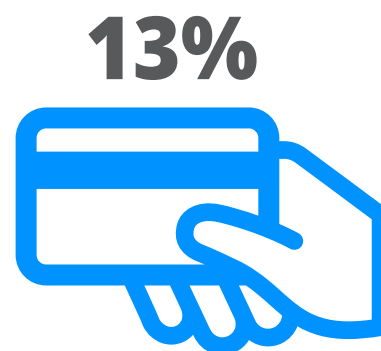
DEC. 2014

3%	19%	53%	11%	14%
-----------	------------	------------	------------	------------

If capital availability is a problem for your business, what is the effect on your operations?

	JULY 2015	DEC. 2014	JULY 2014	DEC. 2013
Unable to grow business or expand operations	33%	34%	33%	36%
Unable to finance increased sales	17%	18%	15%	17%
Reduced the number of employees	18%	16%	18%	20%
Unable to increase inventory to meet demand	12%	13%	10%	11%
Reduced benefits to employees	12%	11%	12%	13%
Closed stores or branches	2%	1%	3%	3%
Not a problem / No effects	57%	56%	57%	54%
Other (please specify)	3%	3%	2%	3%

What is the approximate interest rate you are charged on your primary business-related credit card?



SMALL BUSINESS FINANCING

How has, or will the transition to PIN and Chip credit cards impacted your business?

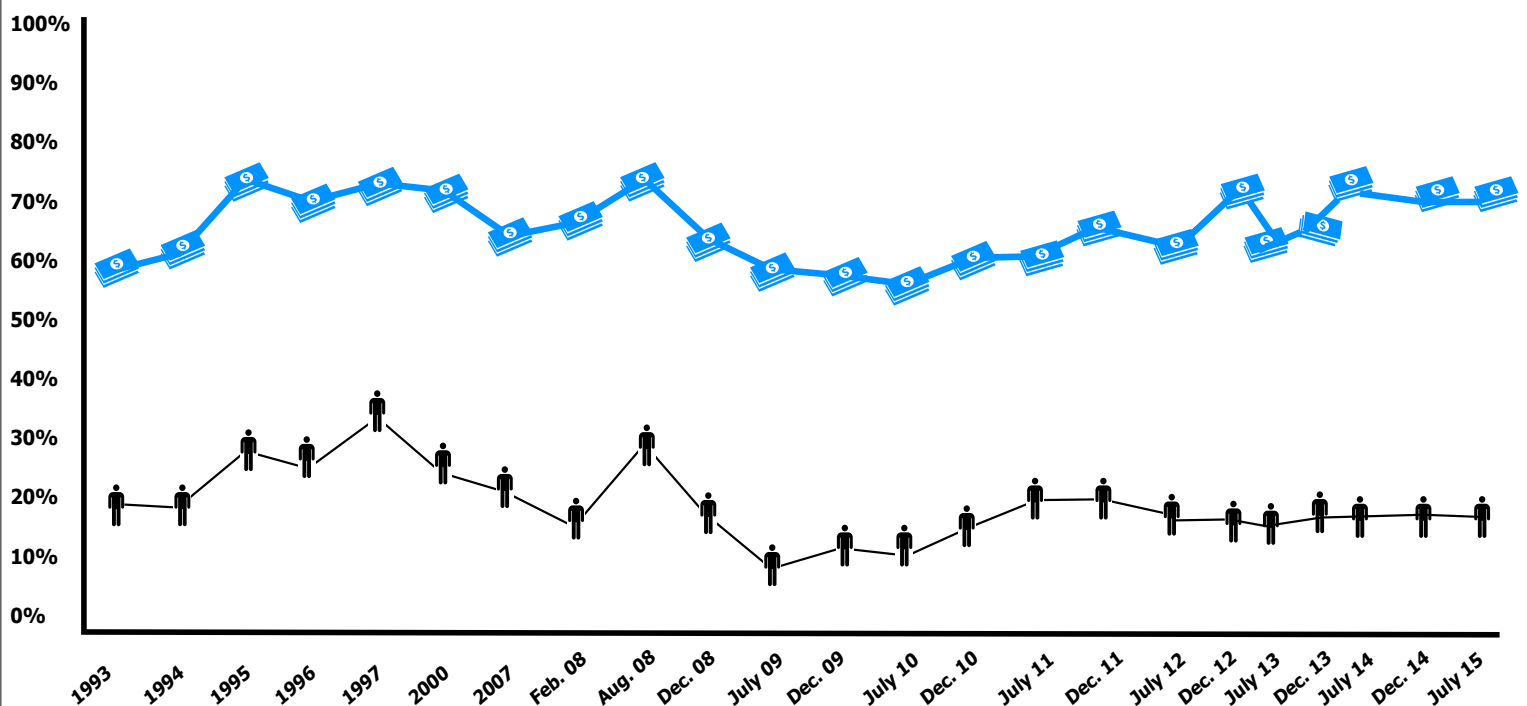
I have, or will have to spend up to \$500 on new processing equipment	6%
I have, or will have to spend up to \$2,000 on new processing equipment	4%
I have, or will have to spend up to \$5,000 on new processing equipment	1%
I have, or will have to spend more than \$5,000 on new processing equipment	2%
There has been no impact	50%
Not sure	36%
Other	2%

How has credit card fraud impacted your business? (Check all that apply)

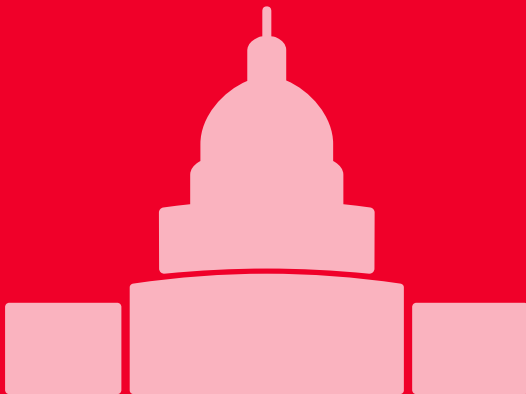
My credit card has been used fraudulently	21%
Fraudulent credit cards have been used to purchase goods/services from my business	6%
No impact	74%
Other	2%

CORRELATION BETWEEN AVAILABILITY OF CAPITAL AND EMPLOYMENT GROWTH

■ Able to get financing
 ■ Increased Employment



PUBLIC POLICY



The 2015 Mid-Year Economic Report asked general questions on policy to determine what small business wants from our elected officials. The number one response: simplify the tax system. That was followed closely by reduce the national deficit, reduce tax burdens, and end the partisan gridlock.

The number one way small businesses believe we should address the national deficit is to reform and reduce entitlement spending, followed by targeted cuts for certain federal agencies and programs.

Which one of the following issues do you believe Congress and President Obama's administration should address first?

Simplify the tax system	15%
Reduce the national deficit	14%
Reducing the tax burden	13%
End the partisan gridlock and work together	13%
Reducing the regulatory burden on businesses	10%
Rein-in costs of health care reform	9%
Increase small business access to capital	7%
Reform the federal contracting system	4%
Improving education to provide a qualified domestic workforce	3%
Reform Immigration	3%
Implement cybersecurity procedures and/or standards	2%
Tort reform	1%
Remove barriers to small-business exporting	1%
Enact a comprehensive energy policy	1%
Reduce the burden of unfair labor laws	1%
Other	5%

Which of the following deficit-reducing proposals would you support? (Check all that apply)

Reform and reduce entitlement spending	56%
Targeted cuts for certain federal agencies and programs	43%
An across-the-board budget cut for federal agencies	31%
Eliminate all tax credits and deductions in conjunction with dramatically lower income tax rates	28%
Greater authority of the administration to reduce Congressionally-approved spending	28%
A combination of tax increases and spending cuts	23%
Eliminate certain tax credits and deductions—even those which may benefit my business	21%
A tax increase for those making more than \$250,000 annually	19%
Other	10%

CONCLUSION

Small employers comprise 99.7 percent of all employer firms in the U.S. One in two workers in the private workforce run or work for a small business, and one in four individuals in the total U.S. population is part of the small-business community.

Small businesses continue to struggle with hiring and garnering quality, affordable capital. Not only are our elected officials not doing enough to improve the U.S. economic situation, oftentimes, they are causing economic stagnation by their inability or unwillingness to deal with serious issues facing the country and a preoccupation with reelection.

Small businesses simply need the environment to grow and create jobs: economic stability; predictability, fairness and transparency in taxes and health care costs; common-sense regulations that don't unfairly disadvantage small firms; and lawmakers willing to tackle the major issues facing our country, and to do so together.

Please click here for more information on [NSBA's priority policies](#).

For past Economic Reports and other issue-specific surveys from NSBA, please visit our [Surveys & Reports page](#) on the NSBA website.

For questions, interviews or to reprint any or all of this report, please contact the NSBA public affairs department at press@nsba.biz or 202-552-2904.

METHODOLOGY

The 2015 Year-End Economic Report was conducted online June 24 – July 14, 2015 among 625 small-business owners—both members and nonmembers of NSBA—representing every industry in every state in the nation.

1156 15th Street, N.W.
Suite 1100
Washington, DC 20005
www.nsba.biz

