

REPORT



United States Chamber of Commerce Q1 Small Business Outlook Study

April 16, 2012

Survey Dates: March 27, 2012 – April 2, 2012

Methodology

The Q1 U.S. Chamber of Commerce Small Business Outlook Survey was conducted online March 27, 2012 to April 2, 2012 by Harris Interactive among 1,339 Small Business Executives (defined as executive level position in a company with fewer than 500 employees and annual revenue less than \$25M).

- N=536 U.S. Chamber of Commerce Members
- N=803 Non-U.S. Chamber of Commerce Members, weighted to be representative of the small business population

Sampling error: +/- 2.5 percentage points. This report contains data from this survey and references data collected in the Q2, Q3 and Q4 U.S. Chamber of Commerce Small Business Study.

The Small Business Outlook is Improving but Hasn't Impacted Hiring Trends

- While small business confidence is increasing, hiring has remained stagnant. Q1 saw a slight increase in the number of small businesses who have lost employees in the last year (30%). Nearly half of small business respondents (49%) have kept the same number of staff, and only 20% have hired in the last year.
- Concerns about over-regulation are the highest we've seen in the past year, with 42% of small businesses citing it as a major concern, and 52% citing regulations as the top threat to their business, increasing 9 percentage points since last June.
- *What do concerns about regulations and policies mean for small businesses? Stalled growth.* 80% of small businesses surveyed report the taxation, regulation, and legislation from Washington make it

harder for their business to hire more employees. Nearly three-out-of-four (73%) of small businesses surveyed cite the recent health care law as an obstacle to growing their business and hiring more employees.

Energy Prices are a Growing Threat to Small Businesses

- There are real concerns about rising energy prices—and no sense that the administration is doing much about it. The perceived threat of gas prices on small businesses has more than doubled, from 10% of respondents citing it as a top concern in January to 24% in March.
- Seventy-eight percent think the Obama administration has not done enough to keep prices low, increase domestic sources of energy, or support American job creation. In Congress, only 2% of Democrats are trusted to address domestic energy production.

Small Businesses Recognize the Link between Politics and Policy

- A vast majority (97%) of small businesses surveyed cite a candidate's support for the free enterprise system as important, 84% cite as very important.
- Almost as many small businesses, (92%) think the business community should lead economic recovery, compared to 8% who think the federal government has the best solutions.
- The vast majority of small businesses are still looking for the government to get out of the way (81%) and for more certainty opposed to government assistance.
- Small businesses see all bureaucrats in Washington as the problem but have sharpened their criticism of the Administration and Congressional Democrats in the past 9 months. Close to half of all respondents approve of the job the House Republican Majority is doing; only 8% approve of the Senate Democrat Majority.
- 94% of small business members cite the Chamber's voter education efforts as important; 70% say it is very important in educating the public on political issues.

General economic outlook on the rise

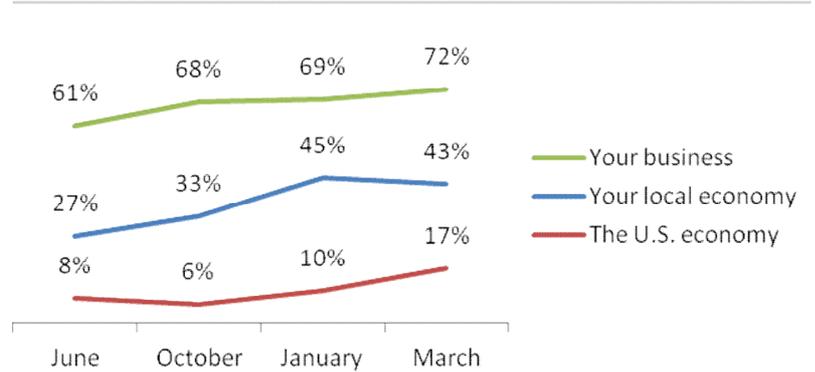
Seven-out-of-ten small business owners believe their business is headed in the right direction. This is the fourth consecutive quarter that our survey has shown an increase in the percentage of small business owners who have a positive sentiment regarding the direction their business is headed.

When asked to consider the direction of the U.S. economy, there was a significant increase in the percentage of small business owners who report that the economy is headed in the right direction. Seventeen percent of small business owners say the U.S.

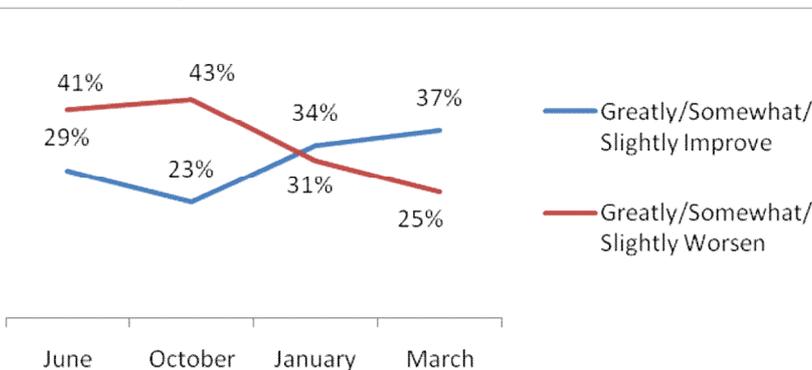
economy is headed in the right direction, compared to 10% in January. While this percentage remains very low (and 78% still believe the U.S. economy is off on the wrong track), it marks a significant change in perspective. Small business owners remain polarized about the health of the local economy; however. Forty-three percent of small business owners say the local economy is headed in the right direction and 44% say things are off on the wrong track.

March’s weaker than expected jobs report from the Labor Department echoed the findings of the Q1 Small Business Survey. Thirty-percent of small business owners say they lost employees over the last year and one-half have kept the same number of staff. Their outlook for the next two years is improving, but is far from rosy:

Headed in the Right Direction



Predicted Change in Climate for Small Businesses Over Next Two Years



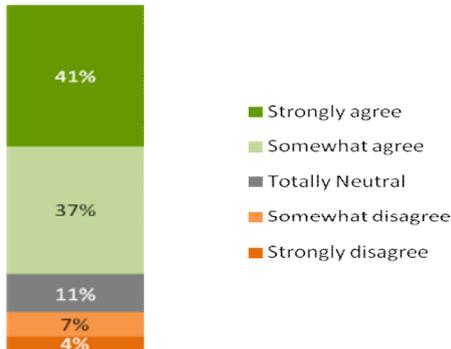
almost two-thirds of employers say they are not likely to hire over the next two years. Twenty-two percent say they will add employees over the next two years, an insignificant increase from our study in January.

Thirty-seven percent of small business owners say the business climate over the next two years will improve while 25% say it will worsen.

This is a net improvement of 9-points since the January survey.

Concern about the price of energy is high – and has the potential to derail hiring and other economic growth

"Higher Energy Prices Pose an Immediate Threat to the Success of my Business"



*March 2012 Results Only

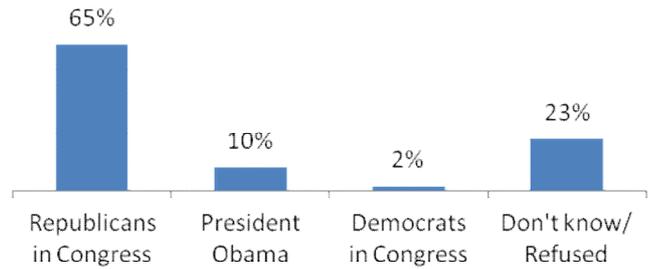
Congress.

Ten percent of small business respondents say they believe the Obama administration is doing all it can to keep gas prices low. The large majority, 78%, say the administration has not done enough to keep prices low, increase domestic energy, or to develop an energy policy that supports the economy and helps create jobs.

Eight out of ten small business owners report that higher energy prices pose an immediate threat to the success of their business, and the intensity of this concern is very high. Twenty-four percent say this is a top concern for their company, up 14% since January.

Sixty-five percent of small business owners say they trust Republicans in Congress to address domestic energy production, and only 2% trust Democrats in

Trust to Address Domestic Energy Production



*March 2012 Results Only

The Obama Administration has done everything they can to keep gas prices low, decrease foreign dependence, and develop an energy policy that supports the economy and American jobs.

10%
Strongly/Somewhat agree

13%
Neither

The Obama Administration has **NOT** done enough to keep gas prices low, increase domestic sources of energy, and develop an energy policy that supports the economy and American jobs.

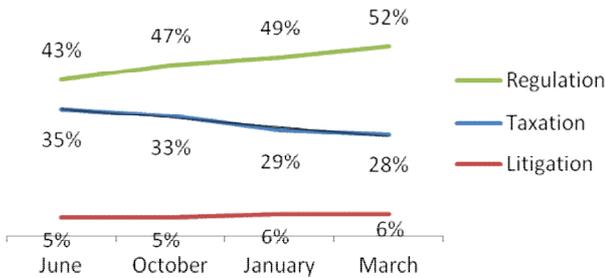
78%
Strongly/Somewhat agree

*March 2012 Results Only

Regulatory woes continue to threaten economic health

Concerns in Q1 about over-regulation are as high as they have been over the past 12-months. Forty-two percent

Biggest threat to Business

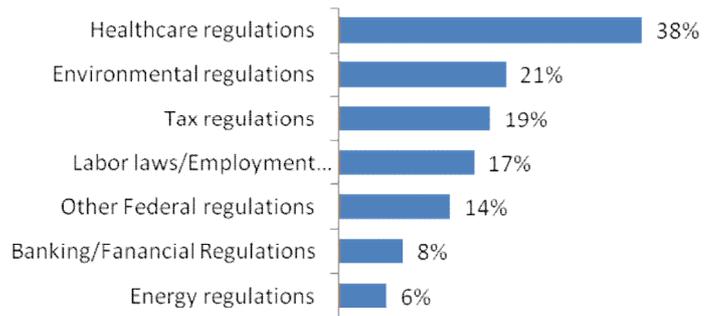


volunteer that regulations are a top concern facing their business. More than half (52%) say it is the greatest threat to the success of their business, increasing 9% since last June.

Only 11% say the federal government regulations on small business are reasonable. Nearly nine-out-of-ten (88%) of small business owners say they are concerned about the impact of regulations, restrictions, and taxes on their business.

When asked what federal regulations were most challenging to their business, small business owners cite concern about health care regulations, environmental regulations, tax regulations and those that impact labor and employment. The impact of this concern is real for American workers—80% of small business owners say that taxation, regulation, and legislation from Washington make it harder for them to hire more employees.

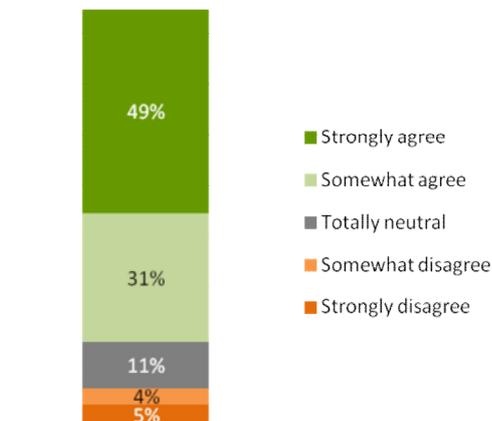
Regulations most challenging to small business



*March 2012 Results Only

When asked specifically about the new health care law, nearly three-out-of-four (73%) say it is an obstacle to hiring more employees.

“The taxation, regulation and legislation from Washington makes it harder for my business to hire more employees.”



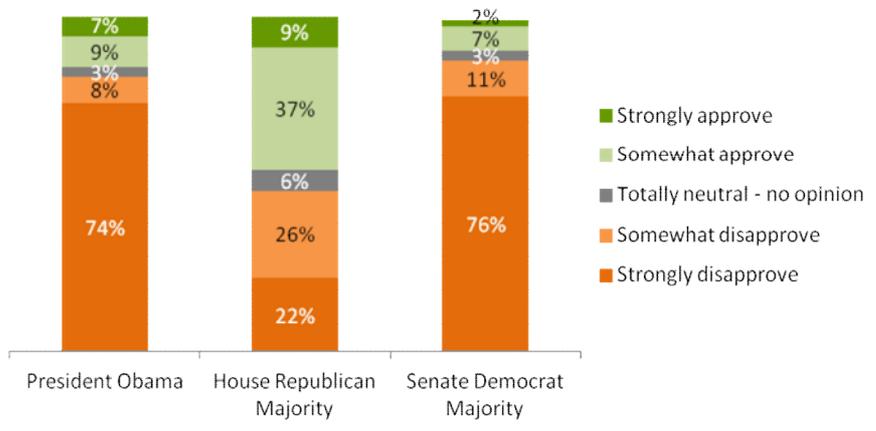
*March 2012 Results Only

Washington is doing little to help

Small business owners agree, 81% say the best thing Washington could do to help their business is to get out of the way. Only 9% of small business owners approve of how the Democratic Senate Majority is handling the economy and 87% disapprove. The House Republican Majority approval rating has increased, with 46% of small business owners approve of their handling of the economy and 48% disapprove, compared to January, when 40% approved and 55% disapproved.

Twenty-nine percent of small business owners blame the president for the current economic challenges and 18% blame Congress. Forty-five percent blame all bureaucrats in Washington, showing less blame being assigned to Congress since June 2011.

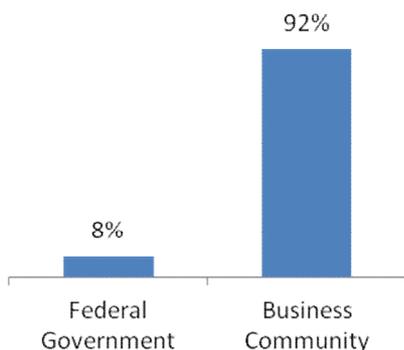
Job Approval Rating on Handling of the Economy



*March 2012 Results Only

Small Businesses are looking to the Business Community to lead Economic Recovery

Entity to Best Lead American Recovery



*March 2012 Results Only

Small business owners overwhelmingly believe the business community is the best entity to lead the American recovery. Only 8% say the federal government has the best solutions for economic recovery.

Almost all small business owners (97%) say it is important to vote for a candidate who is a strong supporter of free enterprise. Intensity behind this sentiment is strong – 84% say they believe it is very important.

Additionally, 94% of small business members cite the Chamber’s voter education efforts as important; 70% say it is very important in educating the public on political issues.