

REPORT

United States Chamber of Commerce Q2 Small Business Study

July 16, 2012

Survey Dates: July 2, 2012 – July 9, 2012



Methodology

The Q2 U.S. Chamber of Commerce Economy Study was conducted online July 2 to July 9, 2012 by Harris Interactive among 1,225 Small Business Executives (defined as executive level position in a company with fewer than 500 employees and annual revenue less than \$25M).

- N=437 US Chamber of Commerce Members
- N=818 Non-US Chamber of Commerce Members, weighted to be representative of the small business population

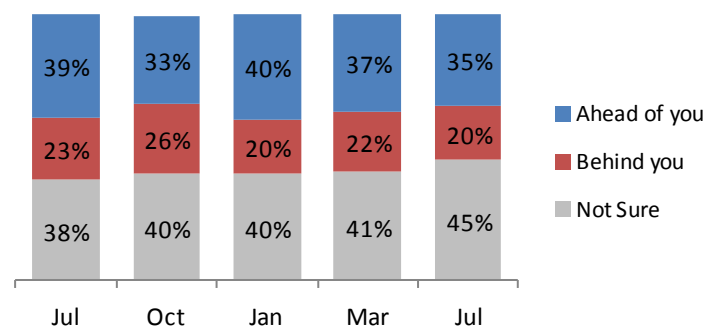
Sampling error: +/- 2.5 percentage points. This report contains data from this survey and references data collected in the Q2, Q3 and Q4, 2011 and Q1, 2012 U.S. Chamber of Commerce Small Business Study.

Flat Economic Growth and Uncertainty Continue to Limit Hiring

Eight-out-of-ten small businesses continue to think the national economy is off on the wrong track and more than half (53%) of small businesses surveyed cite economic uncertainty as their top concern. Only 14% say the national economy is on the right track.

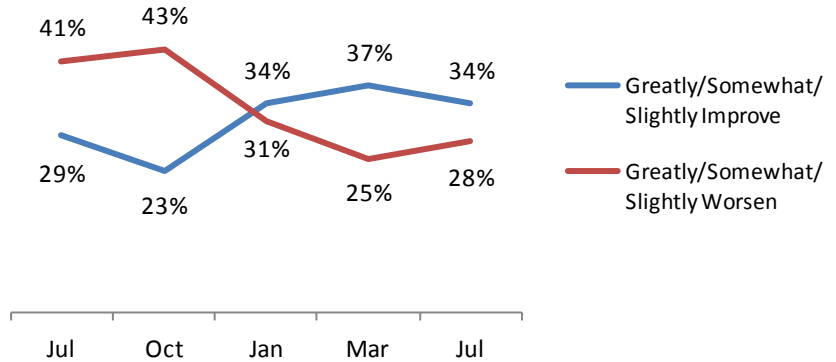
Forty-five percent of small business owners surveyed are not sure if their business's best days are ahead of or behind them. In addition, only 34% of small business owners say the business climate over the next two years is likely to greatly or somewhat improve.

Business's Best Days Are...

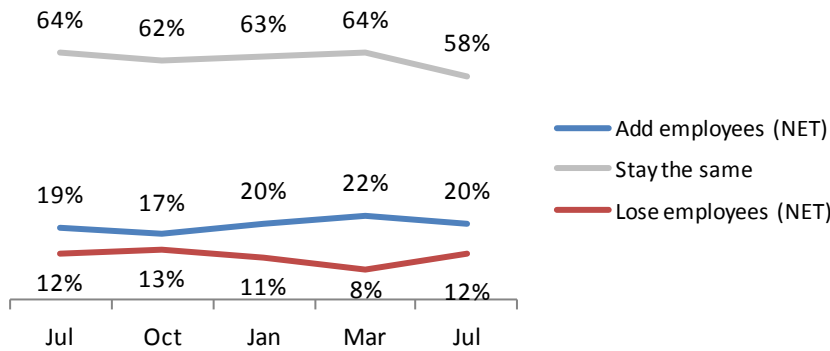


Small business owners' concerns about the future are impacting their hiring. Since March, the number of small businesses who expect to lose employees over the next year has grown from 8% to 12%. Only one-in-five (20%) of small businesses surveyed expect to add staff in 2013. The majority of small businesses say they are likely to keep the same number of employees over the next year – meaning there is likely to be little change in overall unemployment figures.

Predicted Change in Climate for Small Businesses Over Next Two Years



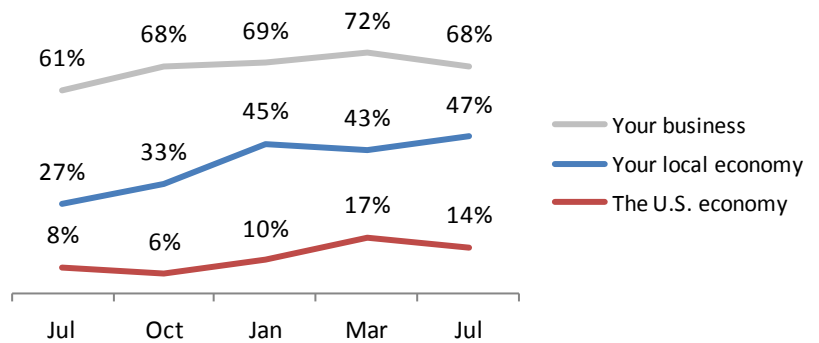
Likely to Add /Lose Employees Over the Next Year



However, since July 2011, the small business outlook about their *local economy* has dramatically improved, with nearly twice as many small business leaders saying the economy is headed in the right direction today compared to one year ago. In July 2011, 27% of small business owners reported their local economy was headed in

the right direction, while 47% of small business owners report their local economy is headed in the right direction today. Small business owners also show confidence in their own enterprises – nearly seven-out-of-ten (68%) say their business is headed in the right direction.

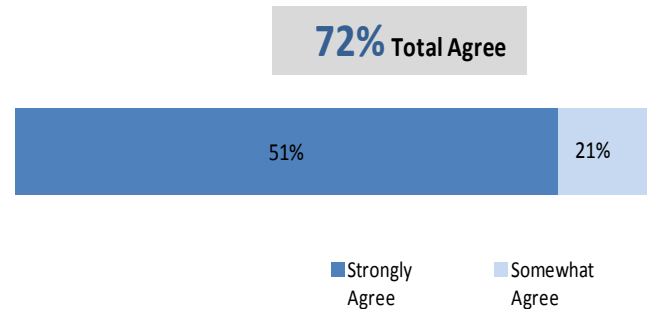
Headed in the Right Direction



Health Care Continues to Be a Top Impediment to Growth

Following the Supreme Court's decision on the President's health care law, only 3% of small business owners report that the Supreme Court's decision to uphold the law will make them more likely to hire new employees. The vast majority said they would be less likely to hire or that their workforce would stay the same size. When asked directly what the impact would be, 72% said that the health care law will make it harder for their business to hire.

"The recent healthcare law makes it harder for my business to hire more employees"



*July 2012 Results Only

"I will probably be forced to do away with current coverages and pay the penalty for each employee."

Open ended questions regarding the health care law revealed a bleak picture for employees. Many small business owners reported that, in addition to limiting hiring, the new law might force them to reduce the size of their business. For example, respondents reported considering making workers stay under 40 hours a week or replacing them with temporary or part

"Will supplement labor requirements with temps rather than full time employees."

time workers. A significant number reported the likelihood of canceling insurance coverage for employees, as paying the penalty would be less expensive for their company. In short, small business owners will change from investing in their employees and their company to a strategy of avoiding growth that will require them to comply with the health care law.

"Will do everything possible to stay below employee counts that will require more coverage."

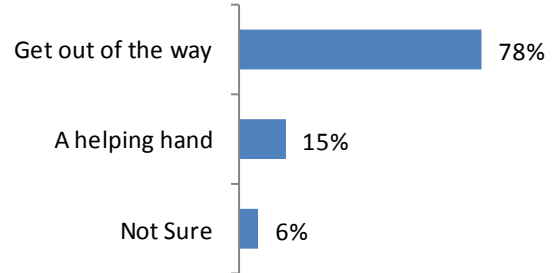
"Won't hire new people will hold profits in the company and only spend for most needed equipment or technology."

Support for the law is very low among small businesses surveyed (21%), and almost eight-out-of-ten (77%) of small businesses surveyed support its repeal.

Washington Will Impact the Small Business Climate: Fiscal Cliff, Tax Hikes, Energy Policy, and Support for Free Enterprise

While small businesses overwhelmingly are looking for the government to get out of the way (78%), decisions in Washington impact the climate for small businesses. The vast majority (96%) of small businesses surveyed cite a candidate’s support for the free enterprise system as important to how they vote.

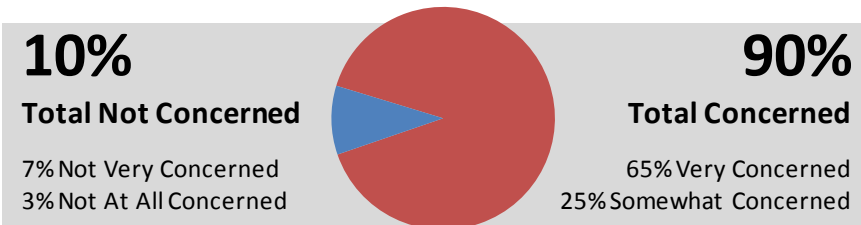
What Small Business Owners Want from Washington



*July 2012 Results Only

Despite a significant decrease in prices at the pump, 76% of small businesses surveyed feel that the administration is not doing enough to keep energy prices low and 72% say that higher energy prices threaten their business.

Concern about the Impact of "Fiscal Cliff" on Business Operations

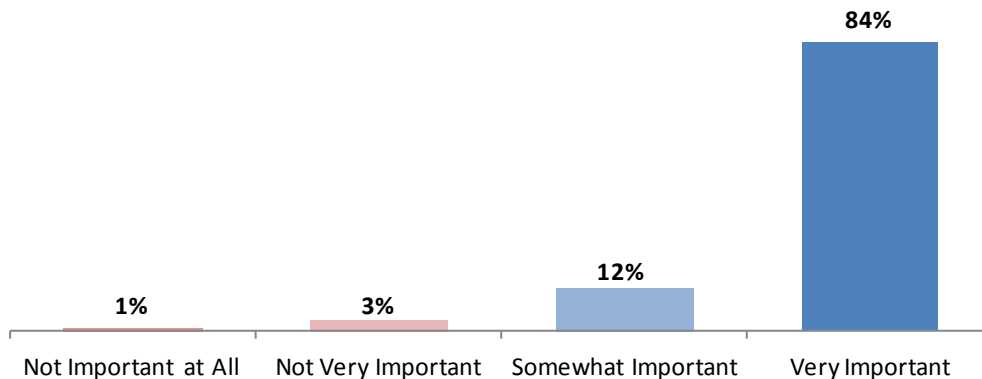


Nine-out-of-ten small business owners are concerned about the impending fiscal cliff and are worried that Congress will fail to take action to prevent it. This is another factor contributing to economic uncertainty. Almost 60% believe that the expiration of 2001 and 2003 tax rates

*July 2012 Results Only

and other business provisions, coupled with sequestration cuts will directly impact their business’s growth.

Importance of a Candidate's Support for Free Enterprise



*July 2012 Results Only