

REPORT



United States Chamber of Commerce Q1 Small Business Study

April 4, 2013

Survey Dates: March 14th – 26th, 2013

Methodology

The Q1 U.S. Chamber of Commerce Small Business Outlook Study was conducted online between March 14 – 16, 2013 by Harris Interactive among a national sample 1,332 Small Business Executives (defined as an executive level position in a company with fewer than 500 employees and annual revenue less than \$25M).

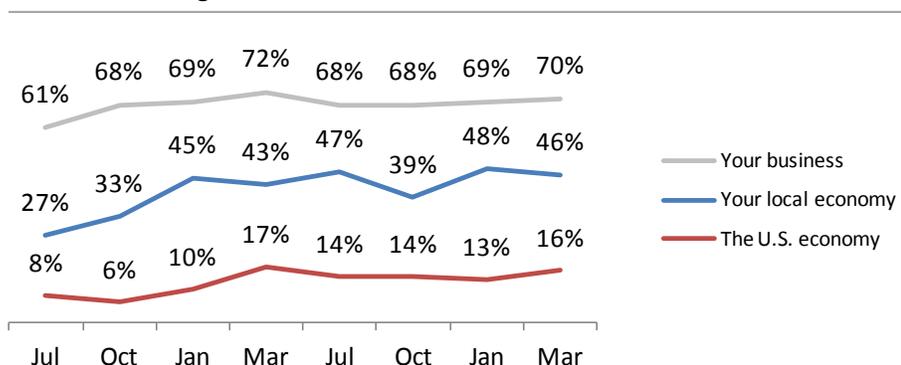
- N=529 U.S. Chamber of Commerce Members
- N=803 Non-U.S. Chamber of Commerce Members, weighted to be representative of the small business population

Margin of 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, Q2, Q3, and Q4 2012 U.S. Chamber of Commerce Small Business Study.

Economic outlook improves, albeit slightly

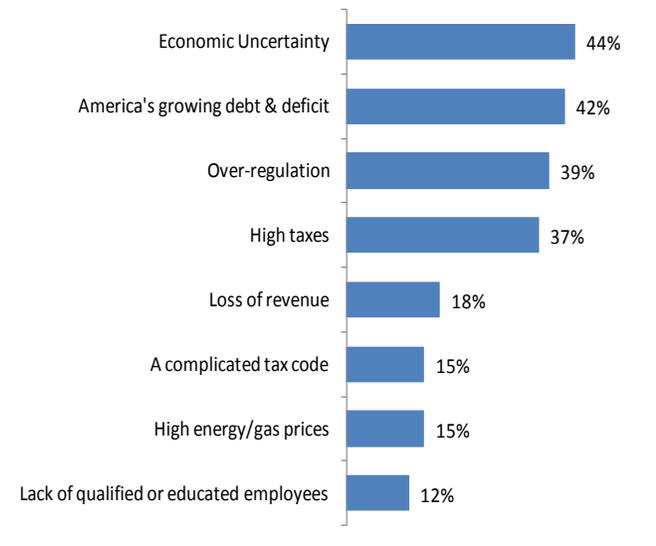
While the majority of small business owners continue to indicate that the U.S. economy is off on the wrong track (79%), they are slightly more optimistic about the direction the U.S. economy is headed in, with 16% saying it is headed in the right direction, up from 13% in January. Sentiment about the direction of the local economy is relatively unchanged but more favorable overall, with 46% of small businesses saying their local economy is headed in the right direction. Additionally, there was a small uptick in the percent of small business owners who feel that America's best days are ahead (up from 19% to

Headed in the Right Direction



21%). Small business owners, while confident that their businesses are headed in the right direction (70%) are still unclear if their businesses best days are ahead (28%) or behind them (28%), with almost half (44%) unsure.

Challenges Facing Small Business Owners Today



*March 2013 Results Only

Small business owners' concern about economic uncertainty decreased this wave (from 52% in January to 44% in March) while concerns about the 2010 health care bill rose (42% in January to 45% in March). Concern about the requirements of the 2010 health care bill has now surpassed economic uncertainty, marking the first time in the trackers history that economic uncertainty was not the top ranked concern.

Just under one-quarter of small business owners (24%) indicated that they believe that the overall climate for small businesses has improved over the past two years. Twenty-eight percent of small business owners believe that the climate for small businesses will continue to improve over the next two years, which is up from 25% in January of 2013.

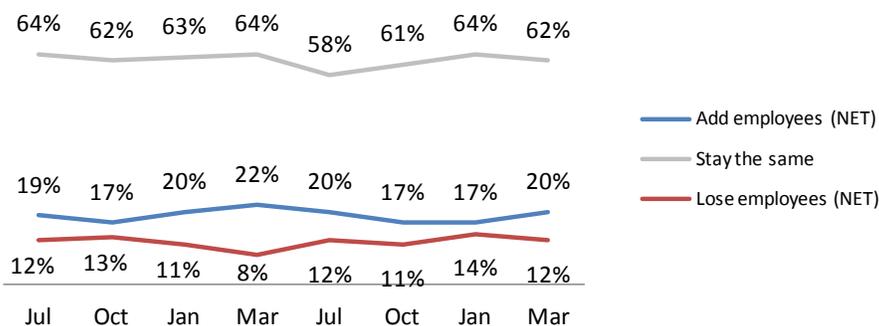
Threat of Federal Debt and Deficit

If small business owners have uncertainty about the future, it could be related to the long term threat of the federal debt and deficit. Seventy-eight percent of small business owners said that the U.S. deficit and debt pose a threat to the success of their businesses. The current federal debt and deficit (40%) and the regulations coming out of Washington (35%) are the top two current issues coming out of Washington that cause concern about the future of their businesses. In addition, sentiment is strong that the climate for small businesses is worse than under the previous administration (80%).

Hiring Increases, But Health Care Costs Threaten Improvement

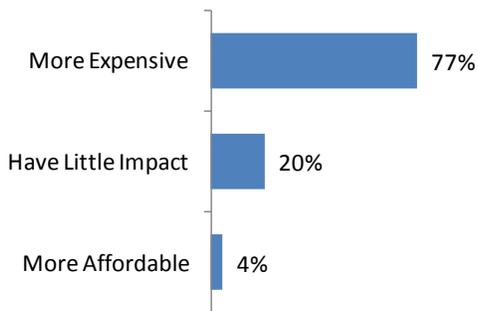
In the past year, 27% of small businesses reported losing employees and the majority (54%) did not hire at all. There was an increase, albeit small, in the number of small businesses stating that they plan on adding employees over the next year (up from 17% in January to 20% in March) and slight decline in employers planning to lose workers in the next year.

Likely to Add /Lose Employees Over the Next Year



While the overall hiring outlook may be improving, requirements of the health care law prove to be a threat. Over two-thirds (71%) agree that the recent health care law makes it harder for their businesses to hire more employees. The health care law will make coverage more expensive for their employees, according to three-quarters of small business owners (77%) and the employer mandate, which will require employers with more than 50 full time workers to offer health coverage to all full time employees and

Health Care Law Will Make Health Coverage:



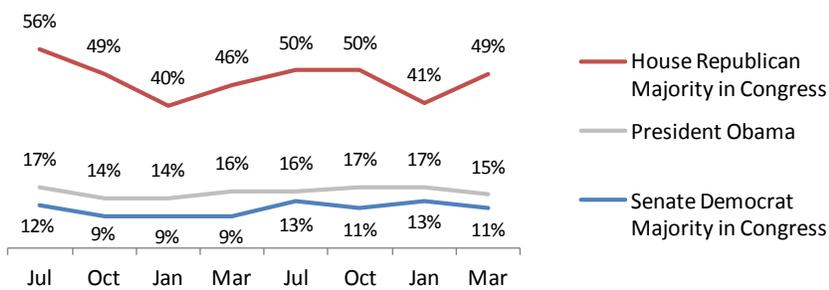
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their dependents or face a penalty, will cause small businesses to reduce hiring (32%), cut back hours to reduce the number of full time employees (31%), and stop providing employee health insurance (27%). Over three-quarters (78%) of small business owners are anticipating that the 2014 health care tax will negatively impact their business when it goes into effect.

Small Businesses Want Action from Congress to Improve Outlook

Approval for the Senate Democrat majority declined slightly (13% down to 11%); 86% of small businesses now disapprove of the job they are doing on the economy. The House Republican majority saw a slight uptick in approval – moving from 41% in January to just under half of small business owners approving of the job they are doing in March (49%).

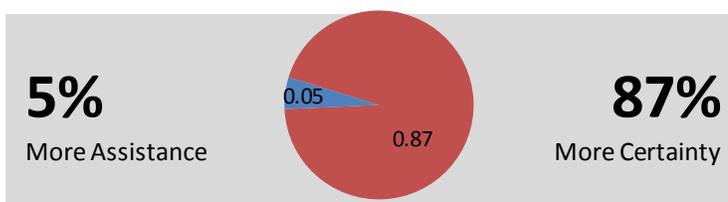
President and Congressional Approval



Small business owners would like Congress to focus on working together on issues that are impacting the economy, and the majority stated that doing so would be important (78%). When asked who has the best solutions to lead the American Recovery the overwhelming majority (92%) pointed to the business community. The majority of small business owners, when asked what

they need most from Washington right now, would like Washington to get out of the way (84%) as opposed to lending a helping hand (11%). When asked about specific actions they needed from Washington, overwhelmingly small business owners wanted more certainty (87%).

What Small Business Owners Want From Washington

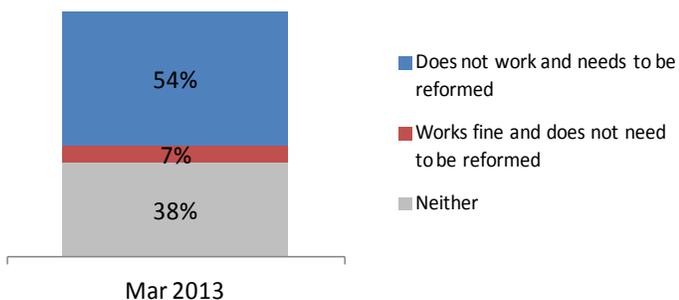


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Keys to Strengthening Economy

Keys to strengthening the economy can be found in the areas of immigration, tax, and entitlement reform, as well as domestic energy exploration and reining in the regulations Washington imposes on small businesses.

The Immigration System...



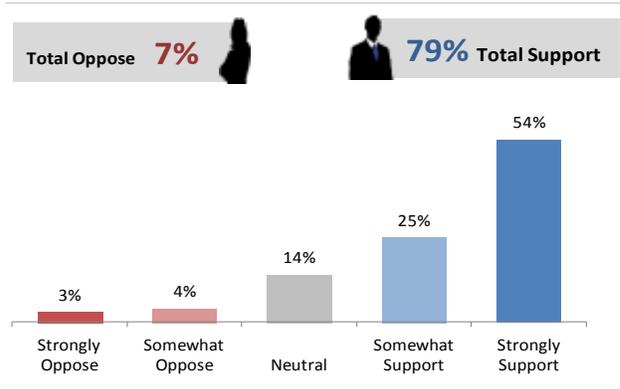
Immigration Reform

Agreement is very high (66%) that immigration reform will help strengthen the U.S. economy and increase America's global competitiveness by bringing in new tax revenue and establishing a market based employment system. More than half of small business owners surveyed (54%) indicated that the current immigration system does not work for the business community and needs to be reformed, while only 7% indicated agreement to the contrary.

Tax Reform

Another key component to creating economic growth is reforming the tax code. Three-quarters (79%) of small business owners support reforming the tax code and over half of all respondents (54%) strongly support tax reform. Specifically, small business owners would like the tax code to be made less complex (52%), followed by lowering tax rates (27%) and broadening it by limiting certain credits and deductions (15%).

Support Tax Code Reform



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Entitlement Reform

In looking to resolve the issues of the federal debt and deficit, small businesses recognize the role of entitlement reform. The overwhelming majority of small business owners (87%) support entitlement reform as part of Congress and the Administration’s deal to resolve America’s financial challenges and escalating debt.

Domestic Energy Exploration

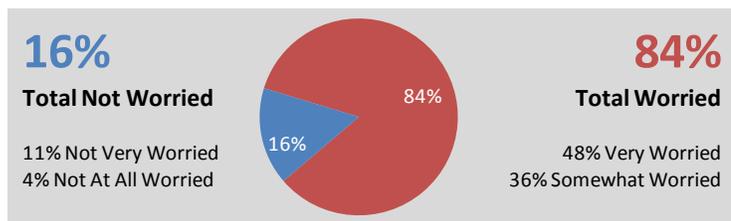
Small business owners favor an aggressive approach to energy exploration in the U.S. and believe increased production, reining in the EPA, and streamlining permitting would boost the economy. Nine in ten (90%), an overwhelming majority of small business owners, said that doing so would be important. Three-quarters (77%) of small business owners agreed that higher energy prices pose an immediate threat to the success of their businesses, and 80% agree that the 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.

Regulations

Government regulations on small businesses continue to be seen as unreasonable (73%) by small business owners with a two thirds majority (66%) saying that what Washington will do next to small businesses scares them most.

Specific regulations that are found to be most challenging or limiting to small businesses are health care regulations (40%), tax regulations (20%), and environmental regulations (20%). The impact of these regulations can be felt in regards to hiring, with 76% of small business owners agreeing that the taxation, regulation, and legislation from Washington make it harder for their businesses to hire more employees.

Worried About Regulations Negatively Impacting Ability To Do Business



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