

REPORT

United States Chamber of Commerce Q2 Small Business Outlook Study

July 16, 2013

Survey Dates: June 21-July 8, 2013



Methodology

The Q2 U.S. Chamber of Commerce Small Business Outlook Study was conducted online between June 21 and July 8, 2013 by Harris Interactive among a national sample 1,304 Small Business Executives (defined as executive level position in a company with fewer than 500 employees and annual revenue less than \$25M).

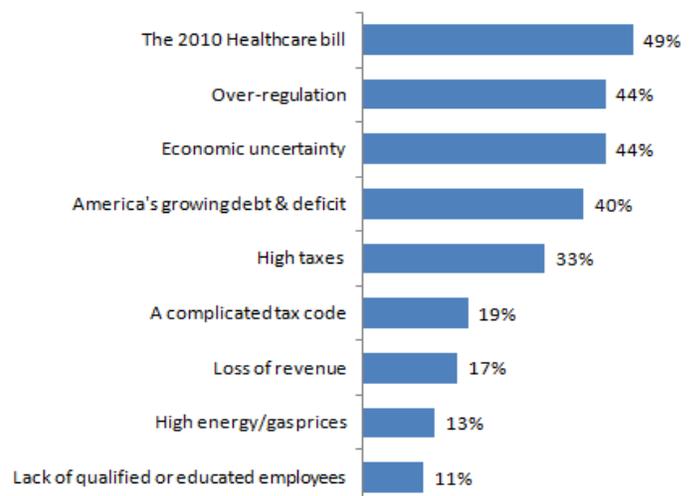
- N=499 U.S. Chamber of Commerce Members
- N=805 Non-U.S. Chamber of Commerce Members, weighted to be representative of the small business population

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; Q1, Q2, Q3, and Q4 2012; and Q1 2013 U.S. Chamber of Commerce Small Business Study.

Concerns about the 2010 health care law have increased and undermine potential growth

Small business owners' concern about the economy remained steady this quarter; however, their concern about the 2010 health care bill rose significantly in the past quarter and for the third quarter in a row (from 42% in January to 49% in June). Since June 2011, anxiety about the requirements of the law has increased by 10-points since and now surpasses economic uncertainty as the top worry for small business owners.

Challenges Facing Small Business Owners Today



*July 2013 Results Only

Only 17% of small business owners report adding employees in the *past* two years, a slight decline from last quarter. Only one-in-five small business owners believe that they will add employees in the *next* two years. 61% do not have plans to hire in the next year. Nearly one-in-four employers say the health care bill is their biggest obstacle to hiring more employees.

These concerns stem from a lack of preparedness for requirements of the law; only 30% say they are prepared, including understanding what is required to participate in the health care insurance exchanges.

Despite the Administration's delay of the employer mandate by a year, small businesses expect the requirement to negatively impact their employees. 27% say they will cut hours to reduce full time employees, 24% will reduce hiring, and 23% plan to replace full time employees (30 hours per week or more) with part-time workers to avoid triggering the mandate.

Economic outlook remains grim

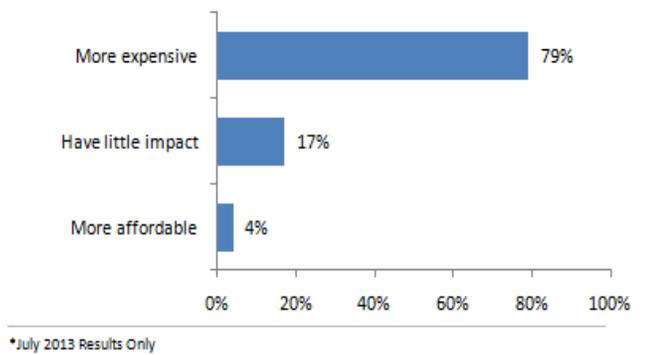
Small business owners have shown little change in their outlook on the economy since March. The majority of small business owners continue to indicate that the U.S. economy is off on the wrong track (77%); however, they are optimistic about their local economy and individual business. 49% of small business owners believe that their local economy is on the right track, and three-out-of-four small businesses believe that their business is headed in the right direction.

Only one-quarter of small business owners (26%) indicated that the overall climate for small businesses has improved over the past two years.

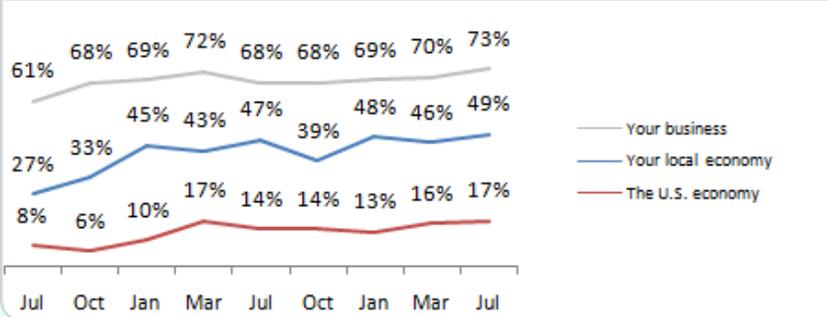
While the local outlook is improving, small business owners continue to have a negative view on how Washington is handling the economy. Only 11% say that they trust the federal government to implement policies that impact their businesses.

When asked about specific actions from Washington, overwhelmingly small business owners wanted

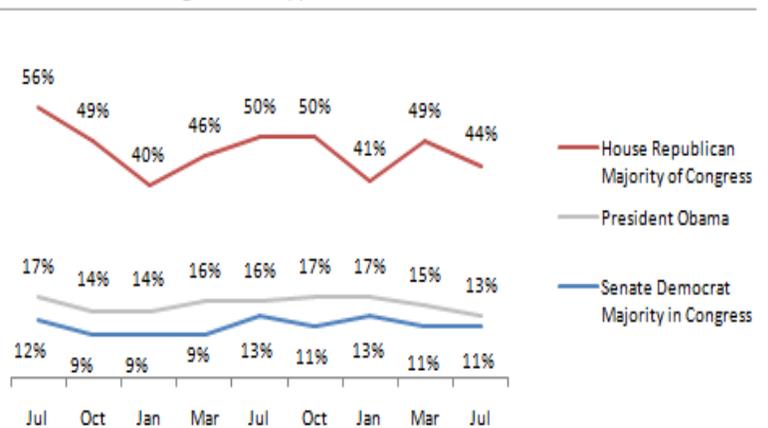
Health Care Law Will Make Health Coverage...



Headed in the Right Direction



Presidential and Congressional Approval



more certainty (85%) and for Washington to get out of the way (85%). The only thing that scares small business more than current federal regulations is what Washington will do next (63%).

Less regulation and more solutions: Tax, Immigration and Entitlement reform

Concern about regulations increased from 35% last quarter to 42% today. Regulatory concerns contribute to the uncertainty that small business owners face when planning for the future.

Despite the President’s recent speech on increased energy regulations to address climate issues, 90% of small business owners support easing EPA regulations and opening up more federal lands for drilling in an effort to boost the economy. Seven-in-ten small business owners agree that high energy prices pose an immediate threat to the success of their business, and 80% do not think that the Administration has done enough to keep gas prices low, increase domestic sources of energy, and develop an energy policy that supports the economy and American jobs.

Debt, Deficit and Tax Reform

Nearly two-thirds of small business owners see the current debt and deficit as a threat to the success of their business. 86% of small business owners support addressing entitlement spending to resolve America’s financial challenges and escalating debt. Small business owners want Washington to reform tax policy: 83% say they support Congress’ efforts to comprehensively reform the tax code. And, the priority of small business owners is to create a less complicated system – 56% say the priority should be making the tax code less complex. That is more than twice the number who say tax rates should be lowered (22%). The desire to understand the code and to have certainty about what they face is more important than a lower rate.

Immigration Reform

81% say the current immigration system does not work for the business community and needs reform. More than one-half (57%) say that immigration reform will strengthen the economy and increase global competitiveness.

