



2012 Economic Forecast: Insights from Small and Mid-Sized Business Owners January 18th, 2012

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Outline

- About the respondents
- 2011 economic forecast performance
- 2012 economic forecast
- Impediments to US GDP growth in 2012
- Creating jobs in 2012
- Confidence in business growth prospects
- Business strategies and prospects for raising capital
- Government economic policies to spur job growth
- Presidential candidates and impact on business

About the Respondents

- 3,118 U.S. small and medium sized business owners
- Responses collected from January 4 – January 11, 2012
- Median age from 55 to 64
- 80% male respondents

2011 Pepperdine Private Capital Markets Project Economic Forecast Performance

	Whole Sample ₁	White House ₂	Federal Reserve ₃	CBO ₄	Wall Street Consensus ₅	NABE ₆	LAEDC ₇	Results on 12/31/2011
2011 US GDP	1.98%	3.10%	3.65%	3.10%	3.30%	3.30%	3.10%	1.7%*
2012 US GDP	2.45%	4.00%	3.85%	2.80%	3.20%	3.40%	3.40%	2.4%*
US Unemployment Rate(12/31/2011)	9.11%	9.10%	8.90%	9.20%	8.80%	9.00%	9.00%	8.50%
Inflation	2.12%	1.40%	1.50%	1.30%	1.90%	1.80%	2.50%	3.40%
US House prices	-1.76%	n/a	n/a	n/a	-0.06%	0.40%	n/a	-2.71%
S&P 500	6.46%	n/a	n/a	n/a	10.00%	7.30%	n/a	0.00%

1 - Pepperdine Economic Survey 2011, all respondents

2 - Economic and Budget Analyses, 2011

3 - Monetary Policy Report, March 1, 2011

4 - The Budget and Economic Outlook: Fiscal Years 2011 to 2021

5 - The Wall Street Journal, Economic Forecasting

6 - National Association for Business Economics, February 2011

7 - Los Angeles County Economic Development Corporation, Economic Forecast 2011-2012

* - estimated by Wall Street Consensus

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2012 Economic Forecast

	Projections in January 2012			Projections in January 2011		
	Whole sample ₁	<\$5 million ₂	\$5-\$100 million ₃	Whole sample	<\$5 million	\$5-\$100 million
2011 US GDP	n/a	n/a	n/a	2.0%	1.9%	2.1%
2012 US GDP	0.7%	0.7%	1.1%	2.5%	2.4%	2.6%
2013 US GDP	1.9%	1.8%	2.2%	n/a	n/a	n/a
Probability of US recession in the next year	32.0%	32.7%	28.8%	28.4%	30.4%	27.6%
US Housing Prices	-0.8%	-0.9%	-0.5%	-1.8%	-2.3%	-1.5%
S&P 500	2.5%	2.3%	3.5%	6.5%	6.1%	6.7%
US Unemployment Rate (12/31)	8.7%	8.7%	8.7%	9.1%	9.1%	9.1%

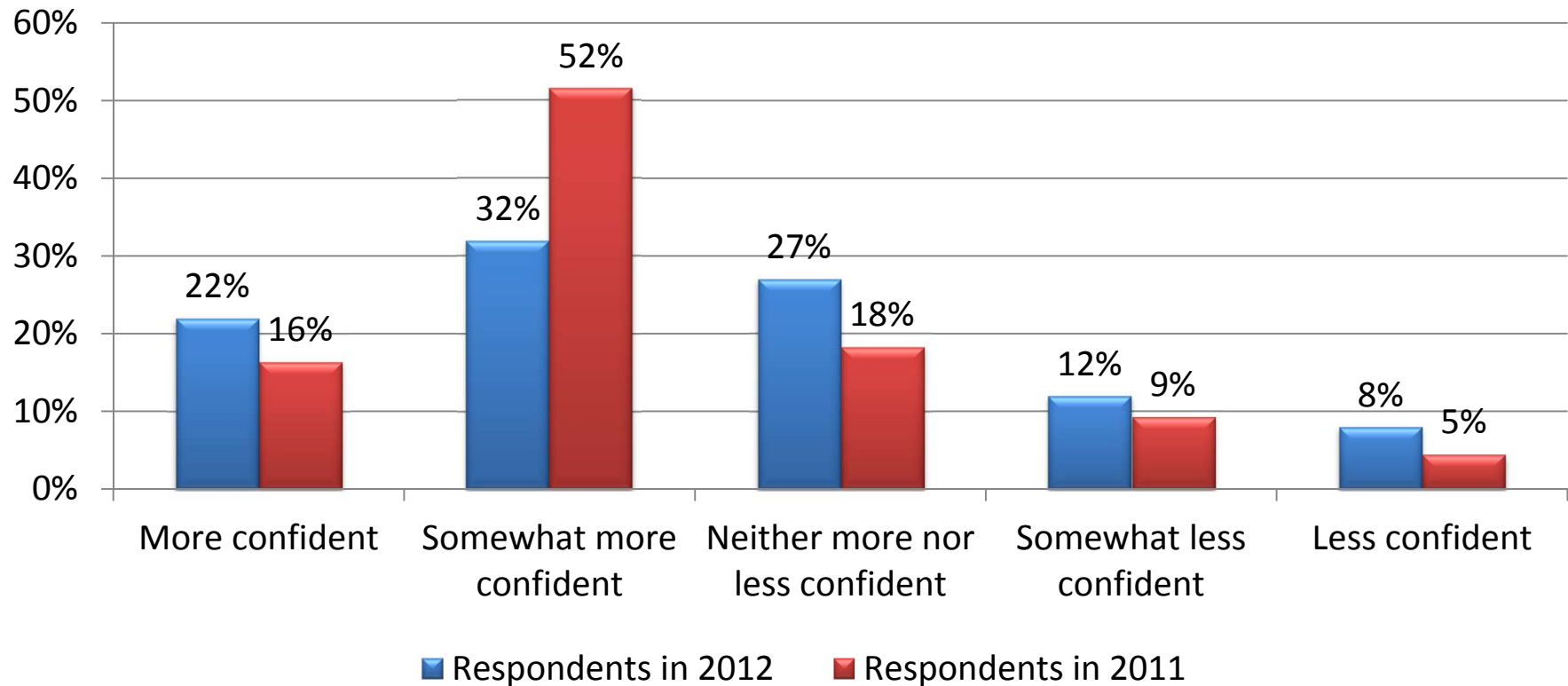
1 - all 3,118 privately-held businesses that participated in the survey

2 - privately-held businesses with annual revenues less than \$5 million

3 - privately-held businesses with annual revenues from \$5 million to \$100 million

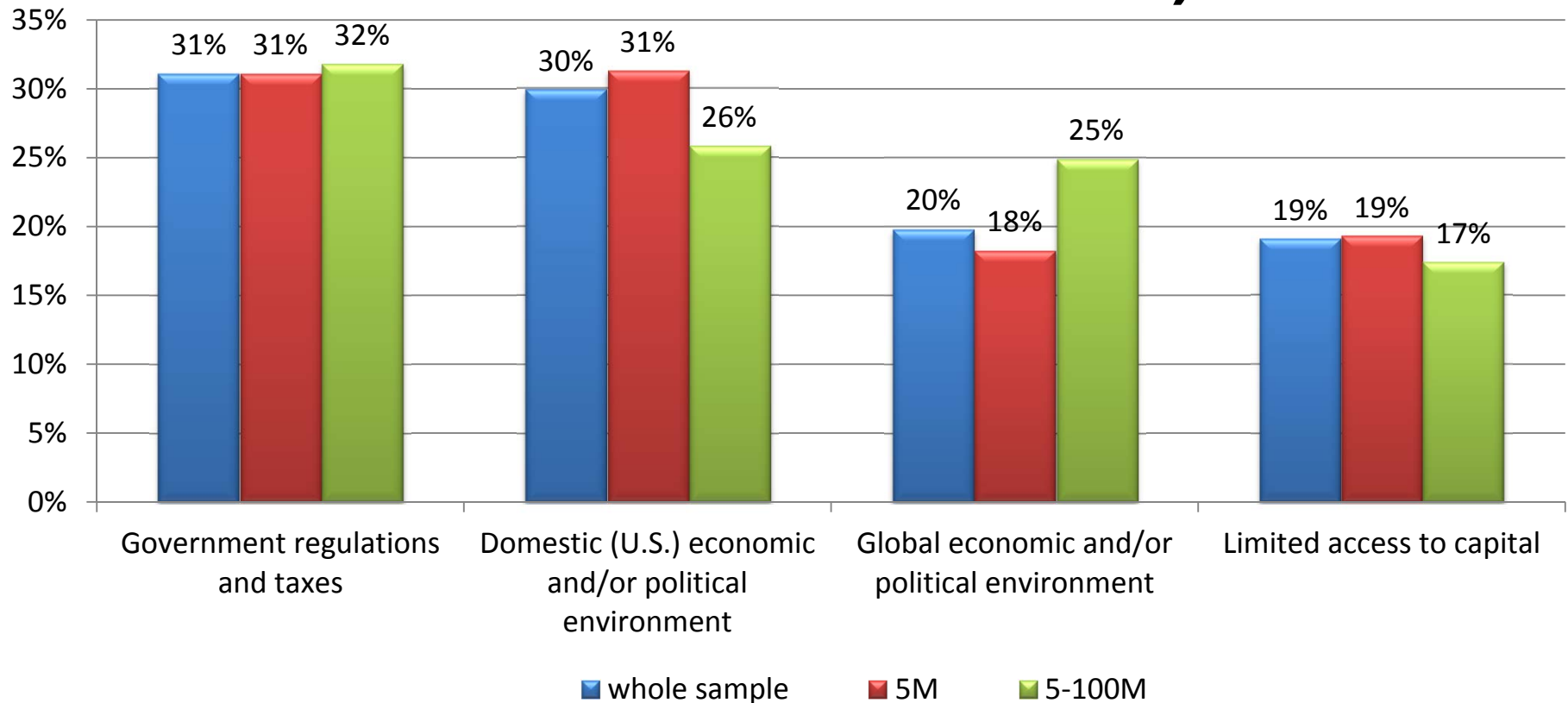
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Confidence in Business Growth Prospects Compared to One Year Ago 2012 versus 2011 Respondents



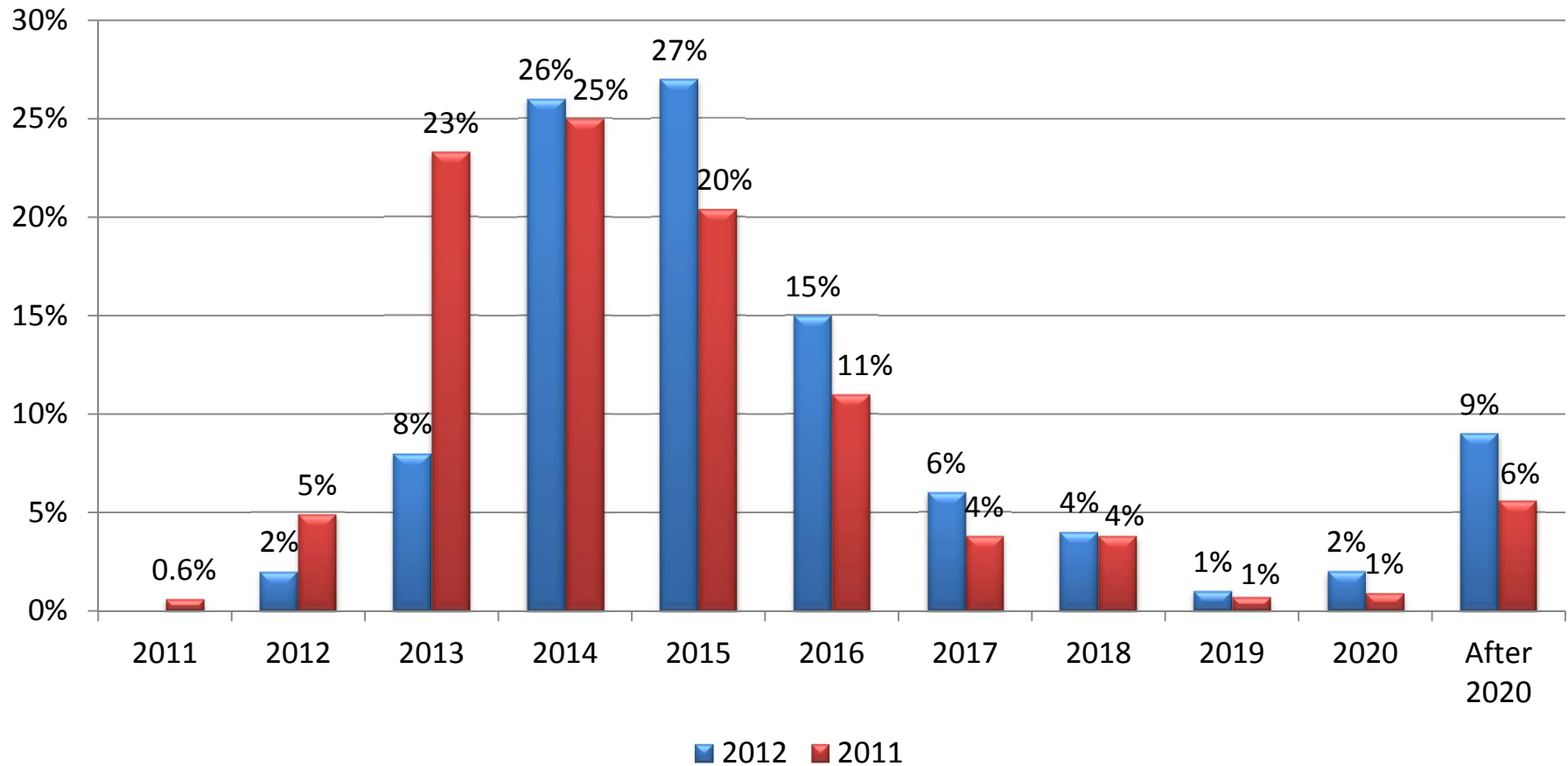
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Impediments to U.S. GDP Growth in the Next 12 Months by Size (<\$5 million revenues; \$5 - \$100 million revenues)



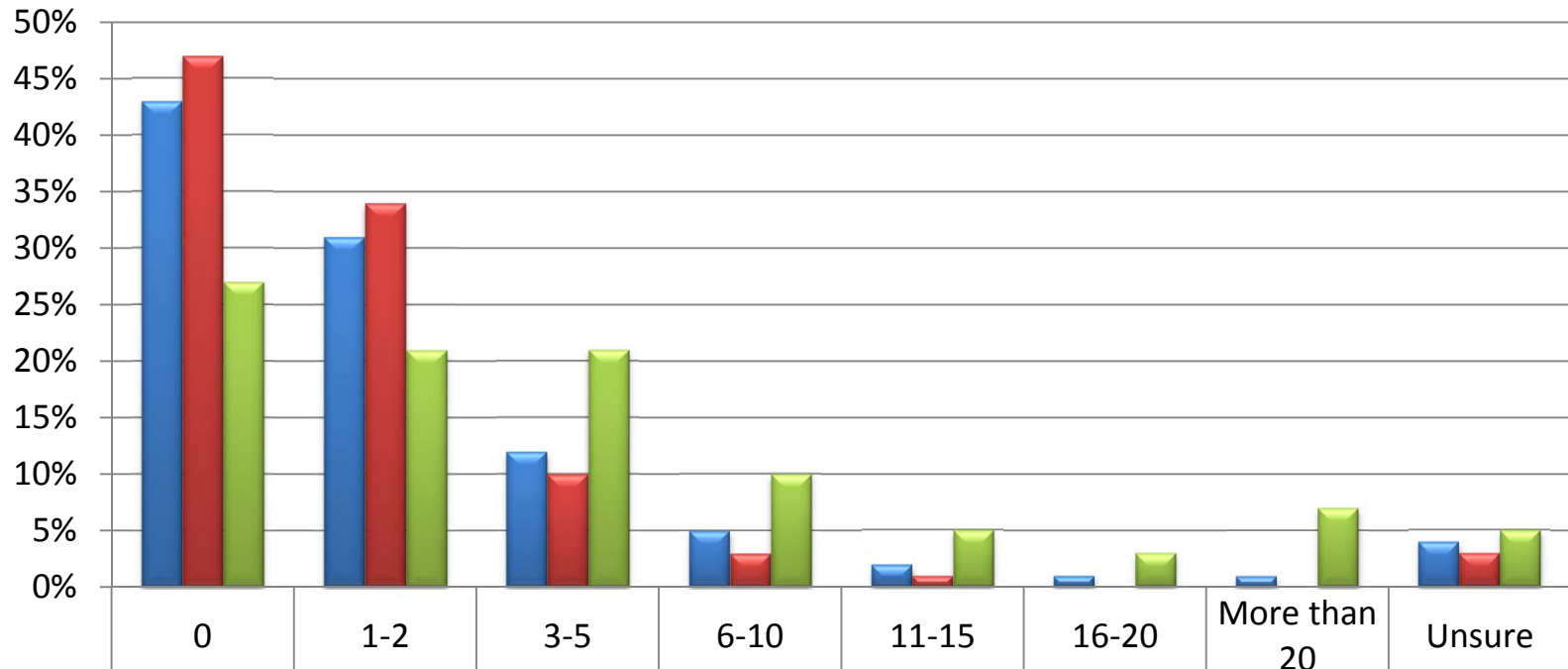
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The Year When U.S. Unemployment Rate First Reaches 6% or Below



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Number of Employees Businesses Are Planning to Hire in the Next 12 Months by Size



■ Whole sample	43%	31%	12%	5%	2%	1%	1%	4%
■ <\$5 million	47%	34%	10%	3%	1%	0%	0%	3%
■ \$5-\$100 million	27%	21%	21%	10%	5%	3%	7%	5%

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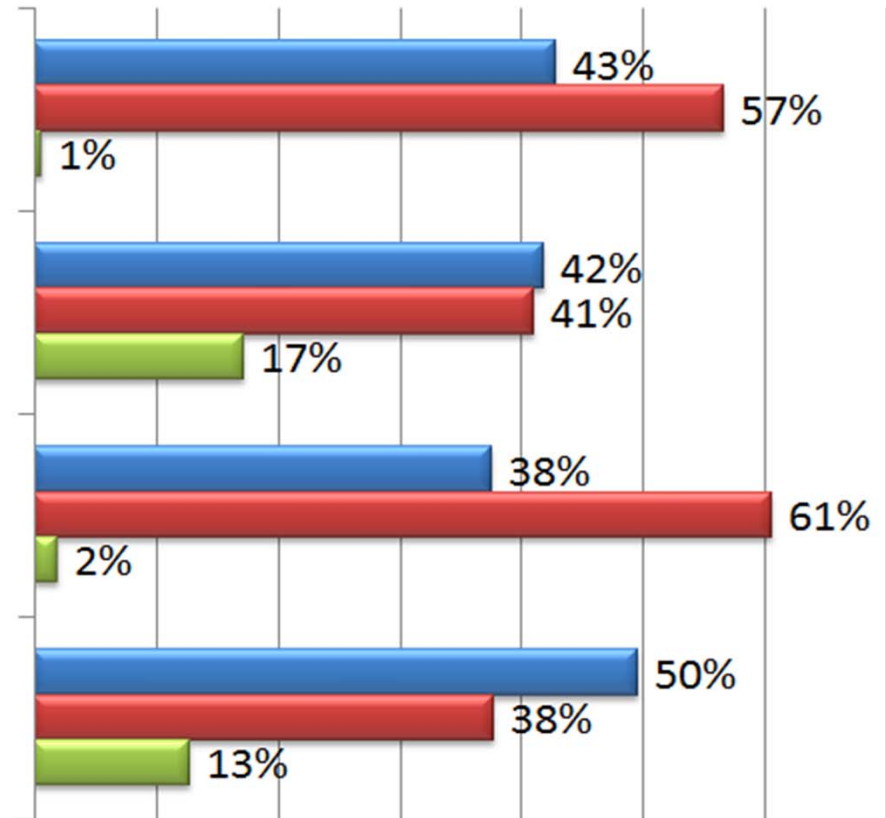
Pay for Employees and Owners

Did you raise pay for your employees in the last 12 months?

Do you plan to raise pay for your employees in the next 12 months?

Did you personally make more money last year (2011) than in 2010?

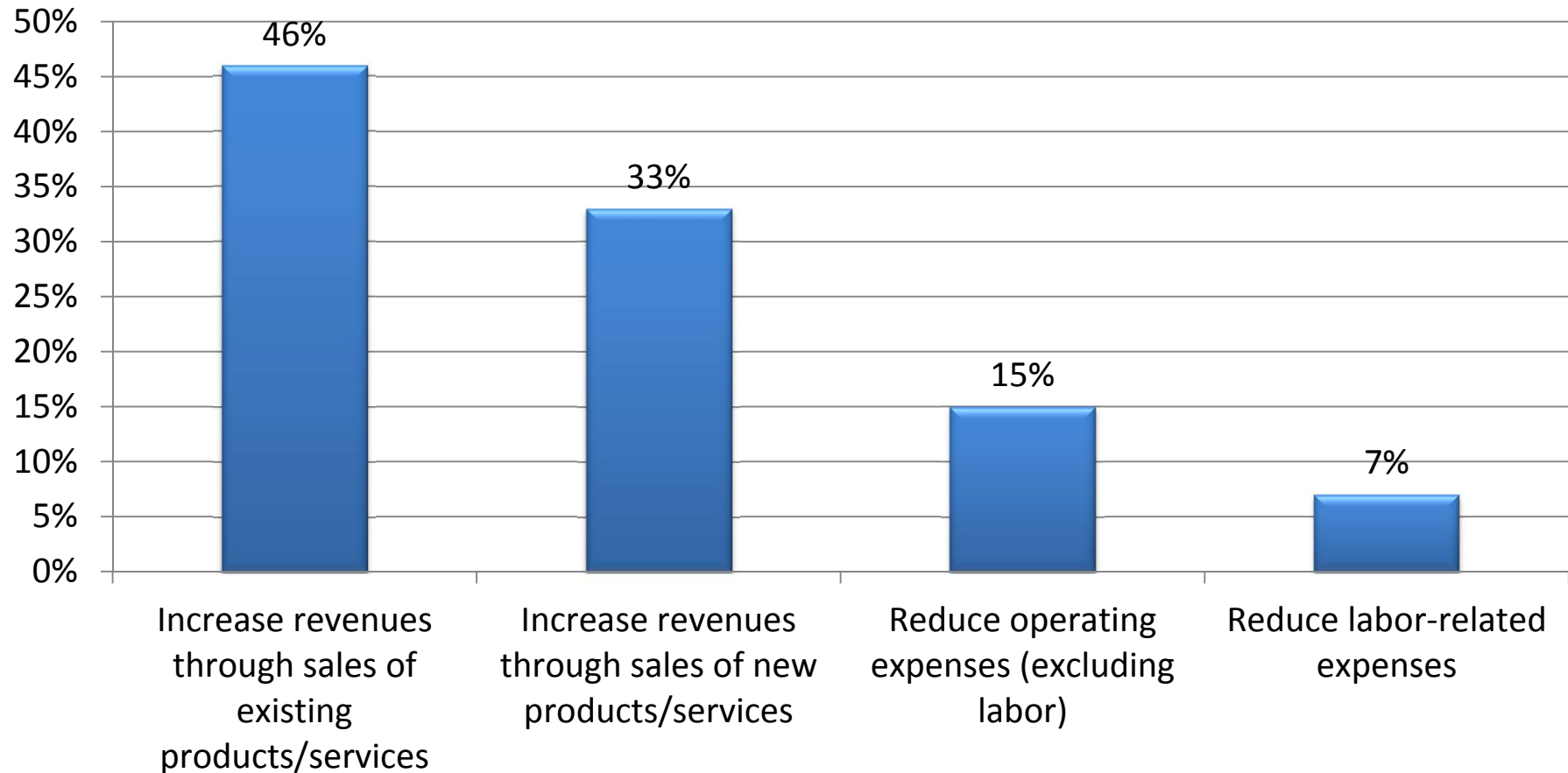
Do you personally expect to make more money this year (2012) than you did in 2011?



■ Yes ■ No ■ Unsure

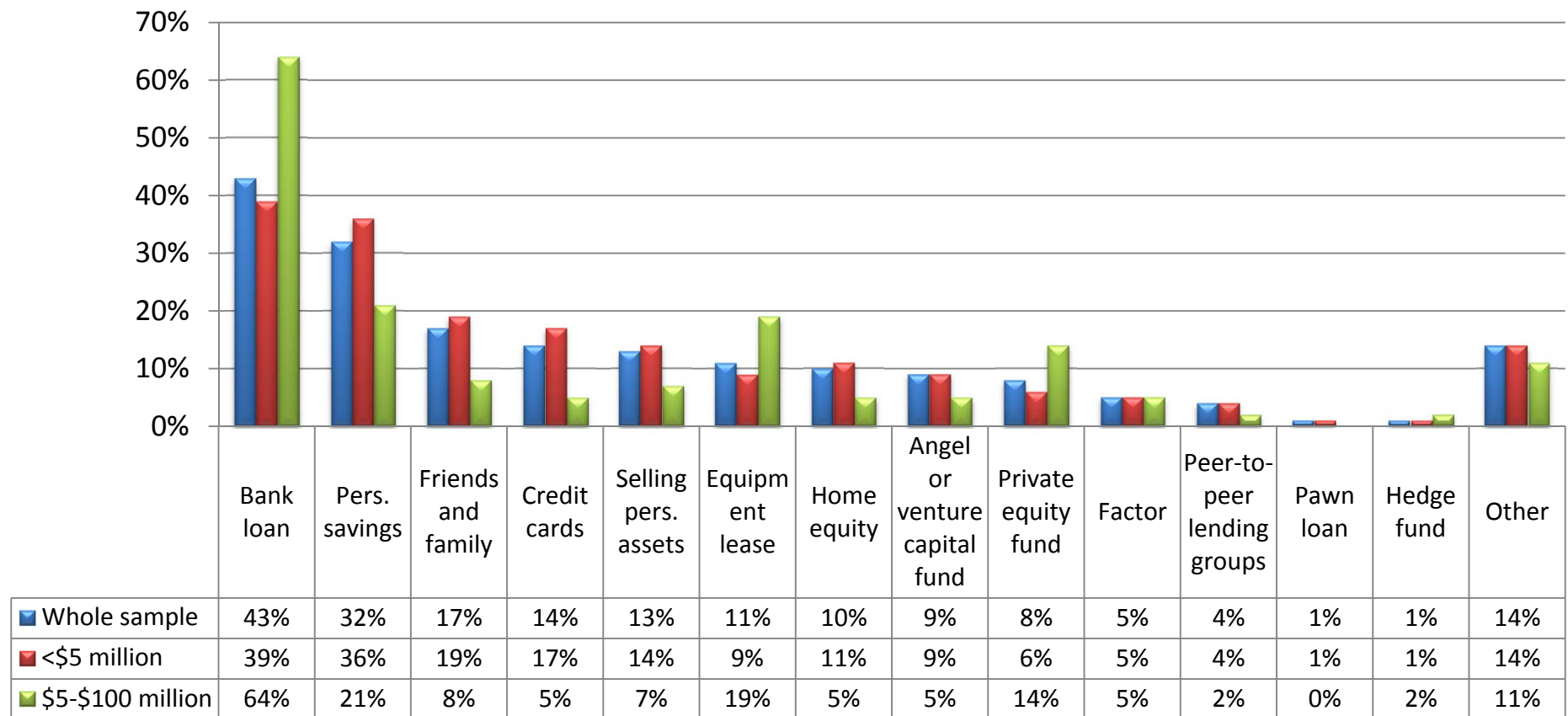
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Strategy Most Likely to Be Pursued in 2012 to Increase Business Value



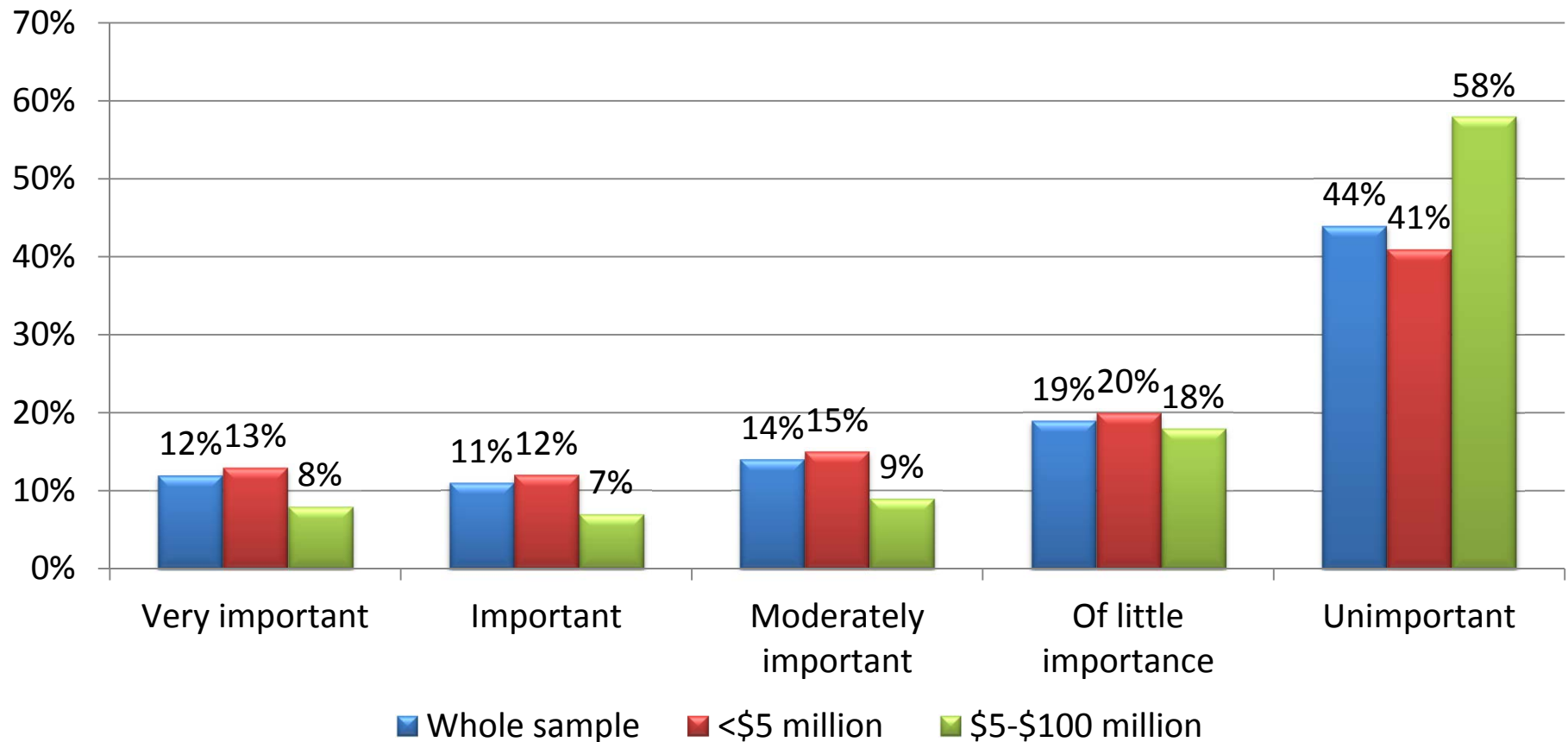
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Best Prospects for Raising External Business Capital in 2012 by Size



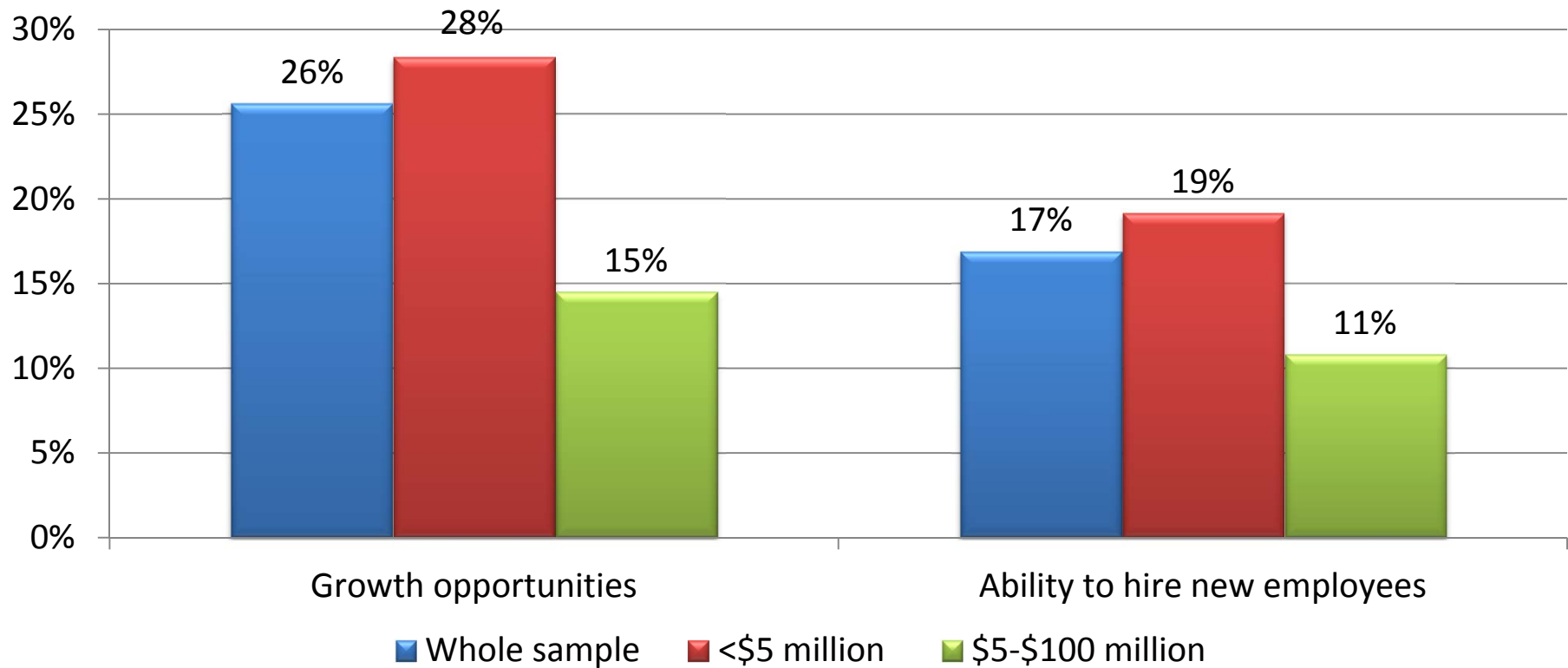
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Importance of Home Equity as a Potential Source When Raising Business Financing



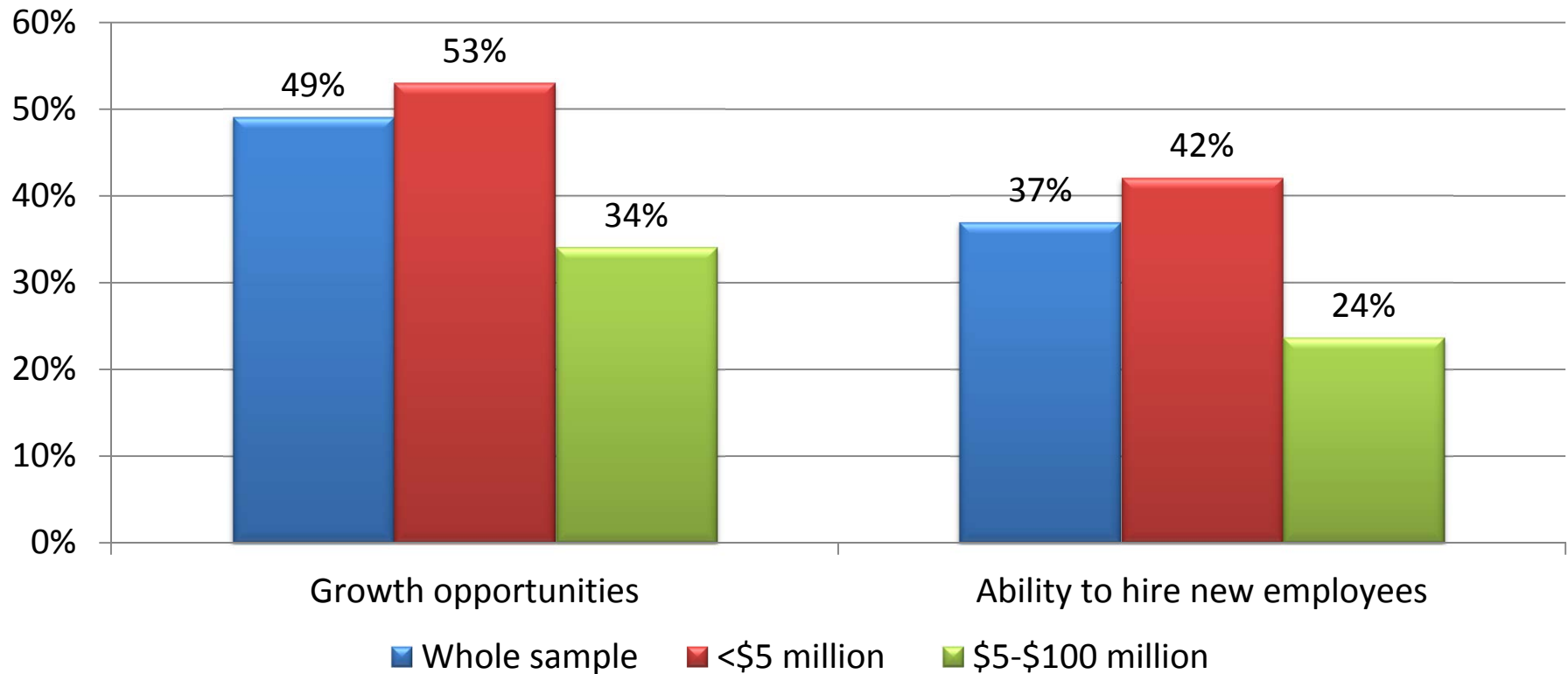
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Percentage Indicating “Yes” to “Is a Lack of Home Equity as a Potential Source of Business Capital Restricting ...”



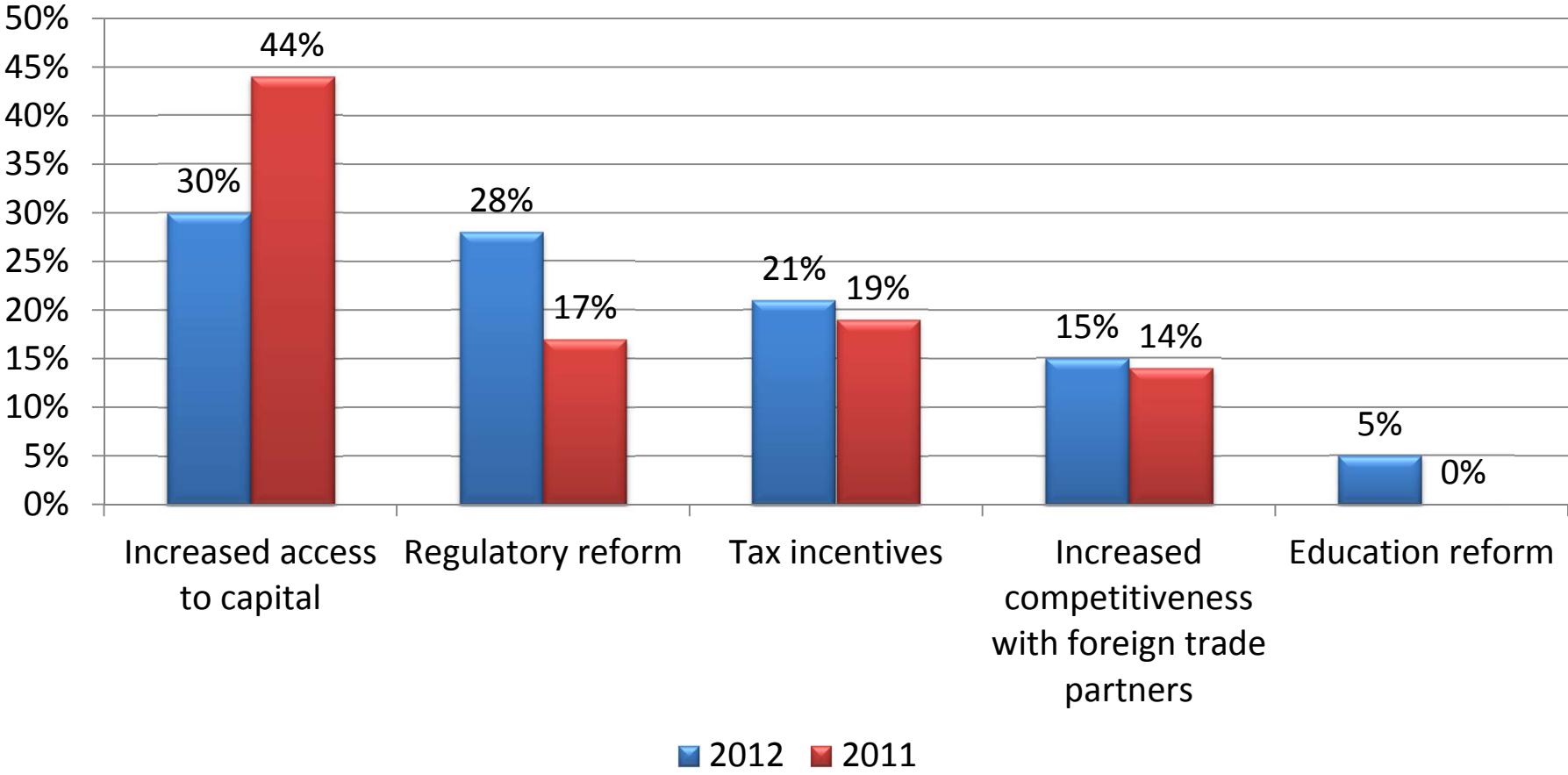
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Percentage Indicating “Yes” to “Is a Lack of Bank Loans as a Potential Source of Business Capital Restricting ...”



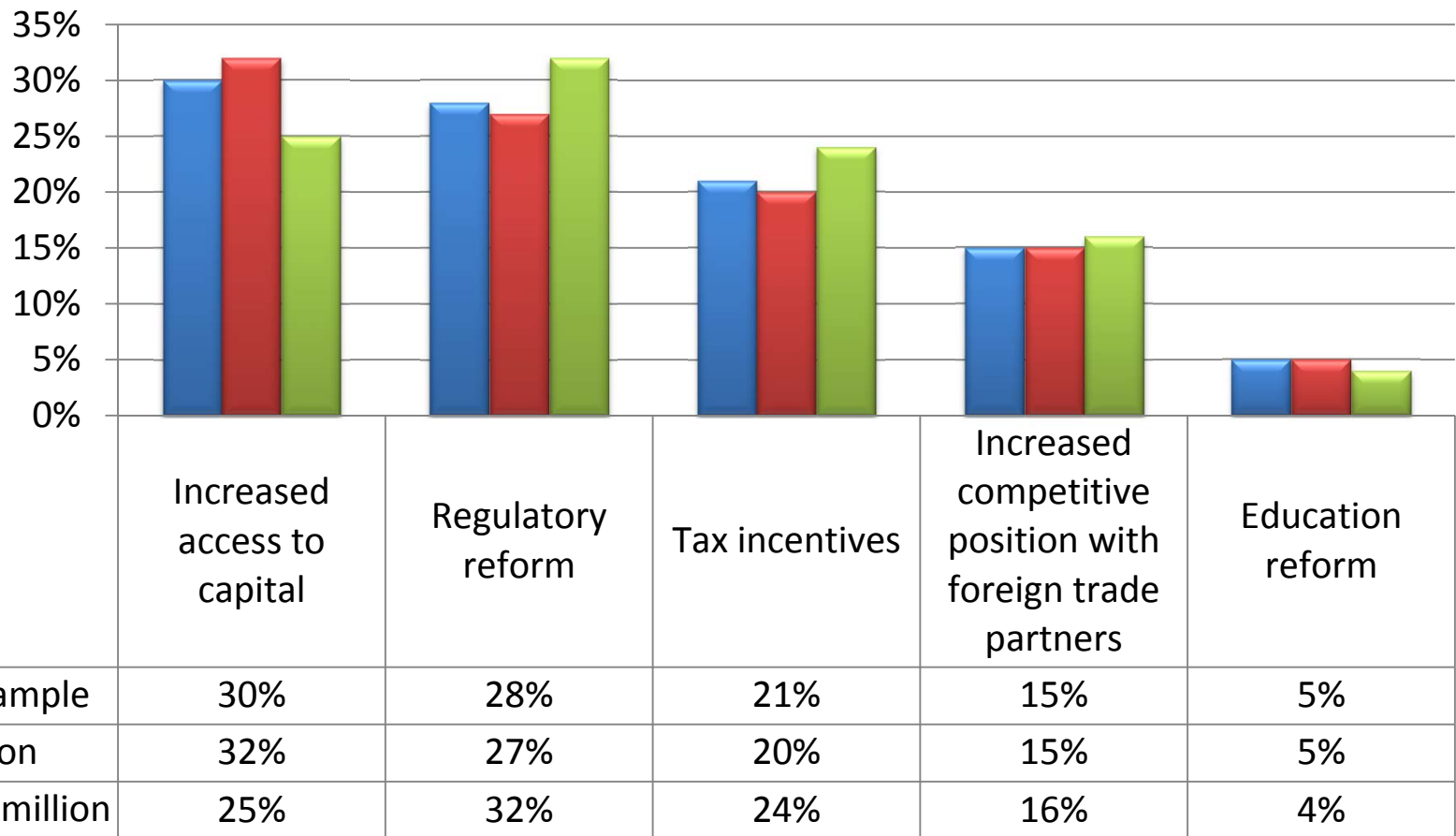
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Policies to Help Spur U.S. Job Creation 2012 versus 2011



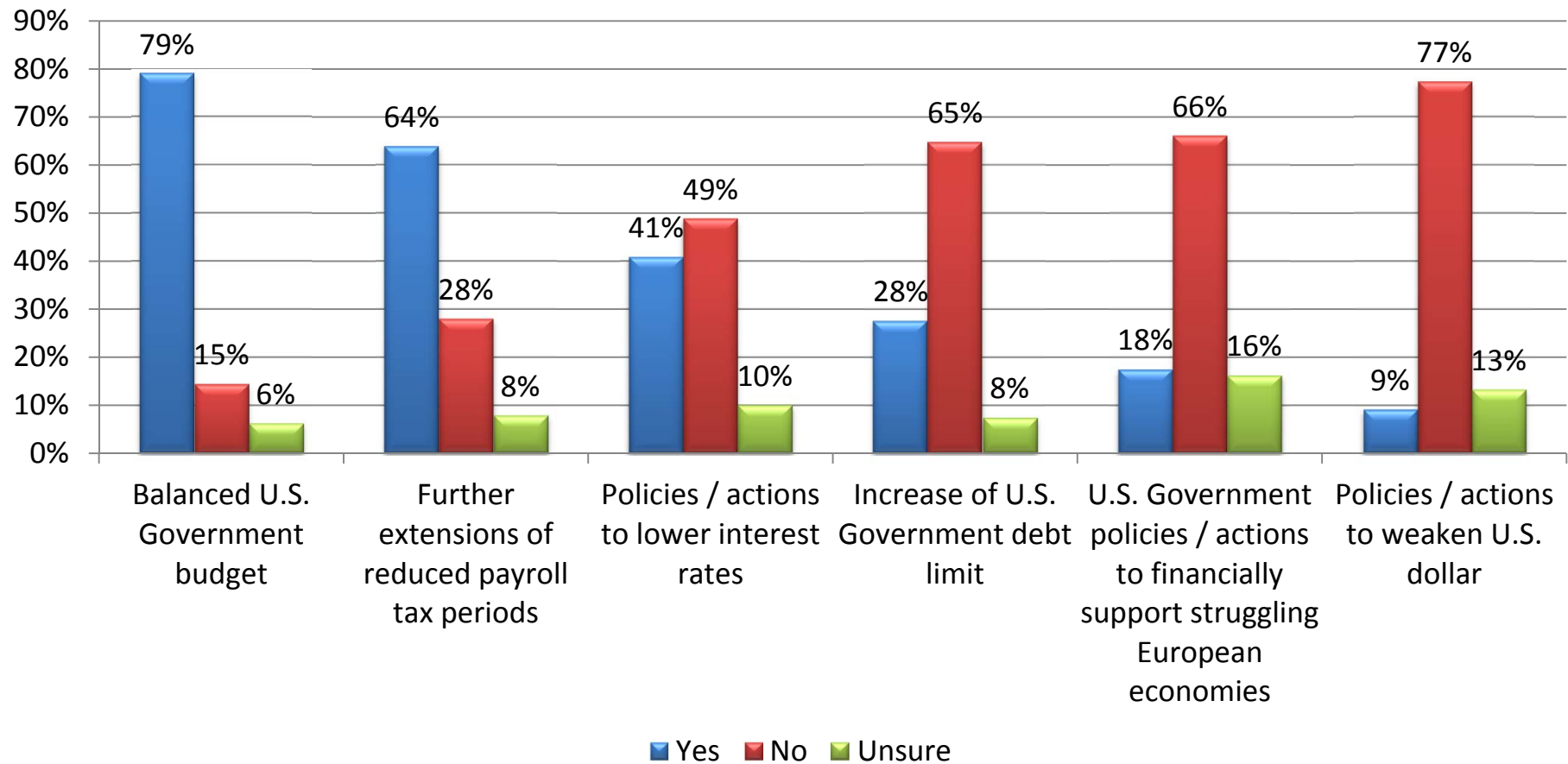
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Best Policy to Help Spur U.S. Job Creation by Size



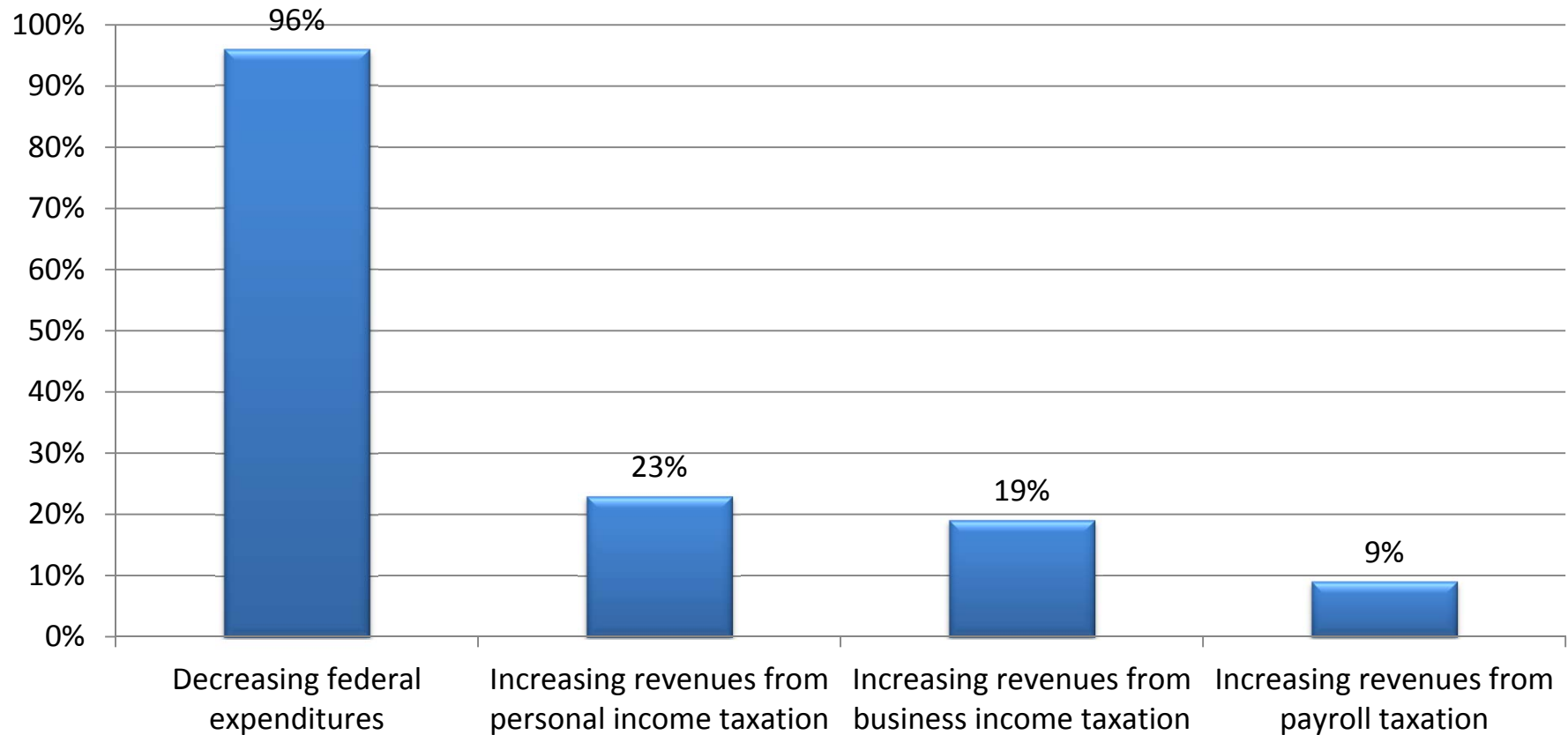
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Support for Various Economic Policies and Actions in 2012



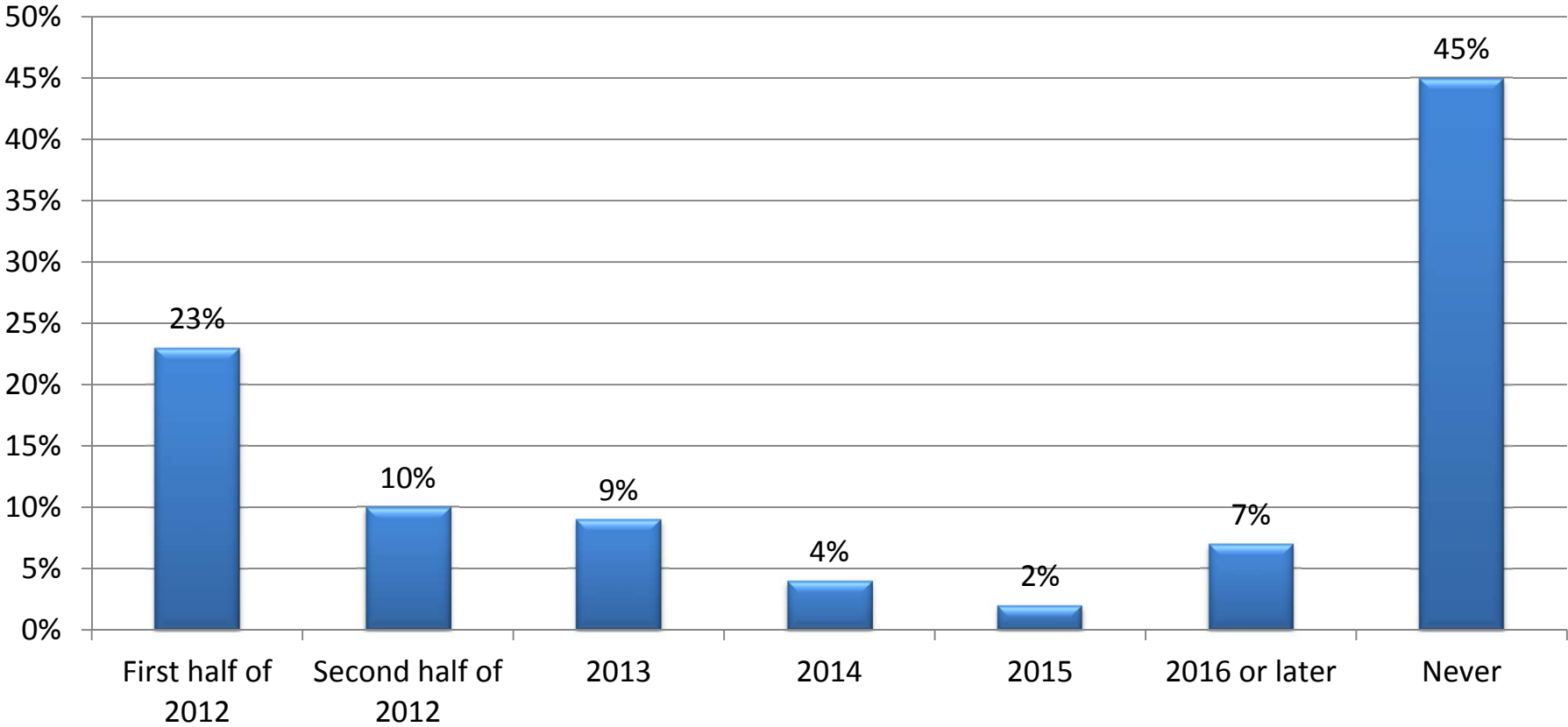
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Percentage Indicating Support for Various Options to Balance U.S. Government Budget



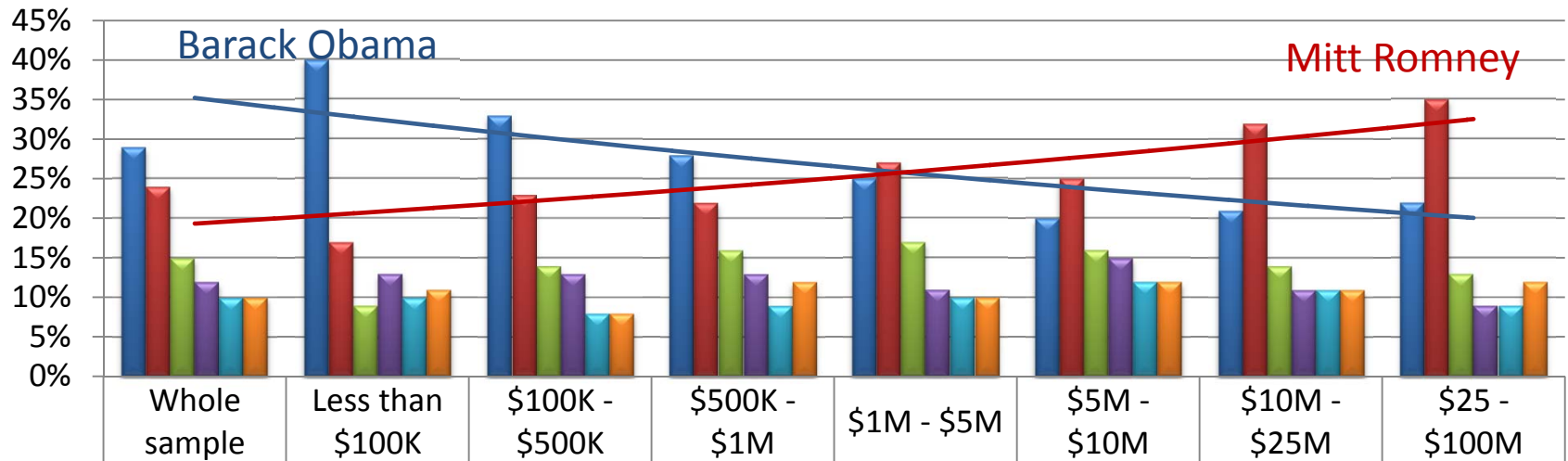
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The Earliest Time to Support an Increase in the U.S. Government Debt Limit



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Which Presidential Candidate, if Elected, Would Likely Have the Most Favorable Impact on Your Business?



	Whole sample	Less than \$100K	\$100K - \$500K	\$500K - \$1M	\$1M - \$5M	\$5M - \$10M	\$10M - \$25M	\$25 - \$100M
Barack Obama	29%	40%	33%	28%	25%	20%	21%	22%
Mitt Romney	24%	17%	23%	22%	27%	25%	32%	35%
Newt Gingrich	15%	9%	14%	16%	17%	16%	14%	13%
Ron Paul	12%	13%	13%	13%	11%	15%	11%	9%
Rick Santorum	10%	10%	8%	9%	10%	12%	11%	9%
Others	10%	11%	8%	12%	10%	12%	11%	12%

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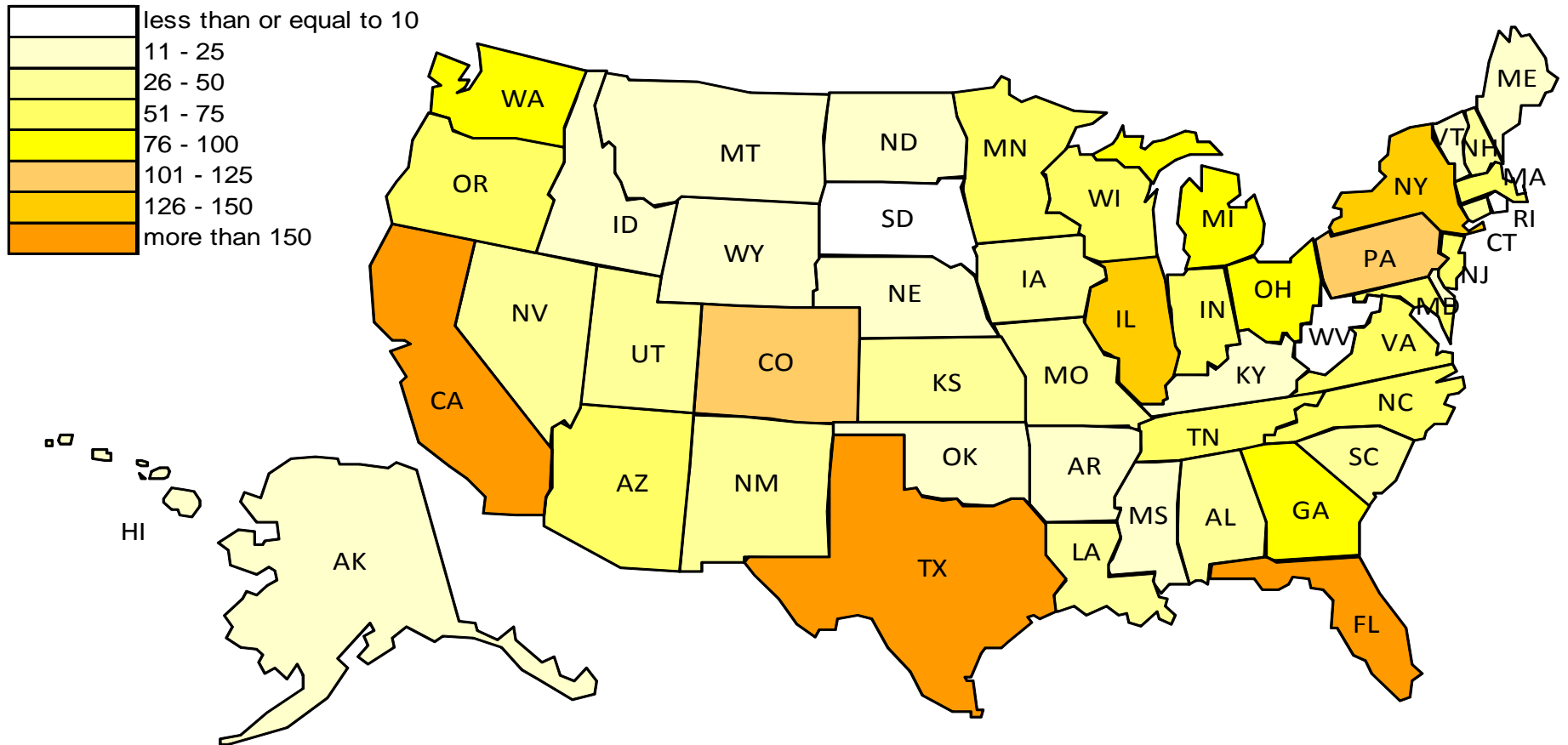
Presidential Candidates: Rated by Level of Expected Impact on Owners' Businesses (1 = very unfavorable; 7 = very favorable)

	Mitt Romney	Newt Gingrich	Rick Santorum	Jon Huntsman Jr.	Ron Paul	Rick Perry	Barack Obama
Whole Sample	4.7	4.2	4.2	4.2	4.0	4.0	3.1
Businesses Selecting Obama as Most Favorable	3.3	2.4	2.5	3.5	2.7	2.2	5.9
Businesses Selecting Romney as Most Favorable	6.1	4.7	4.9	4.6	4.1	4.6	2.1
Others	4.7	5.0	4.8	4.4	4.7	4.7	2.0

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Details About the Respondents

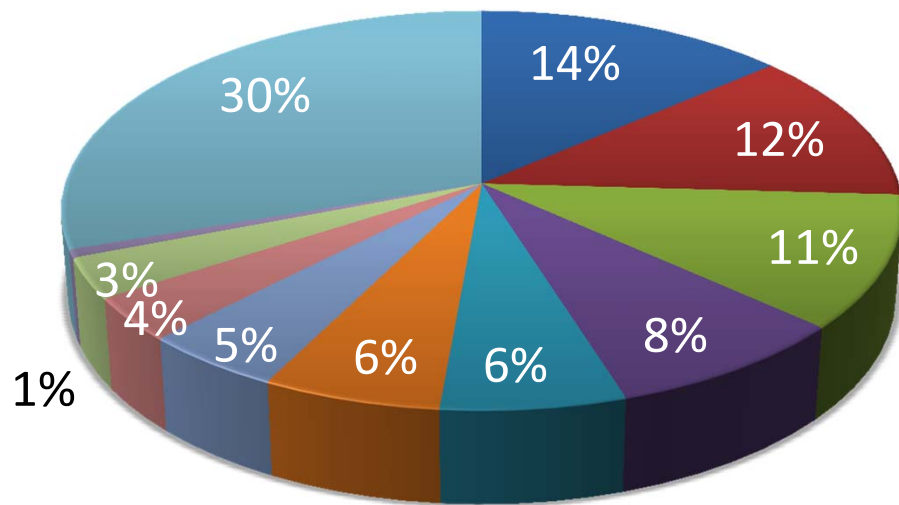
Geographic Location



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Details About the Respondents

Types of Businesses

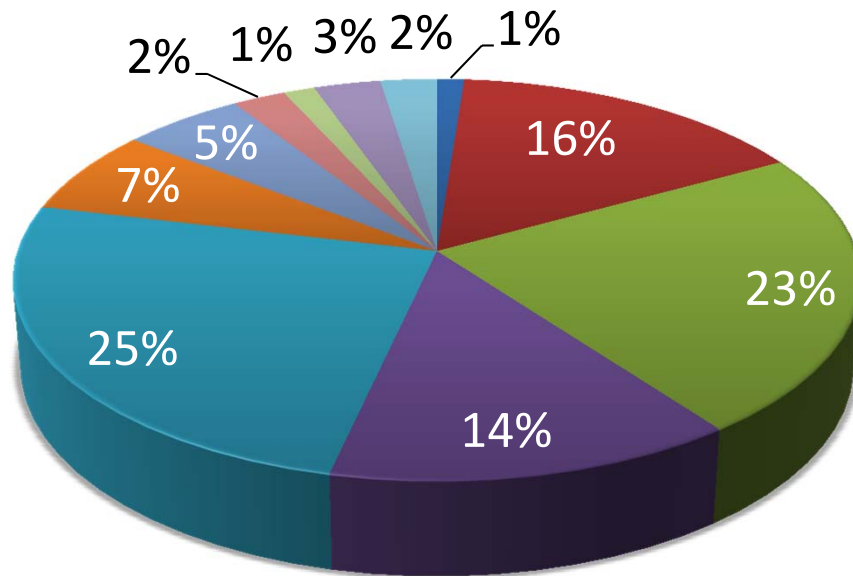


- Construction & engineering
- Business services
- Customer goods & services
- Manufacturing
- Wholesale & distribution
- Information technology
- Health care & biotech
- Financial services
- Media & entertainment
- Basic materials & energy
- Other

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Details About the Respondents

Annual Revenues

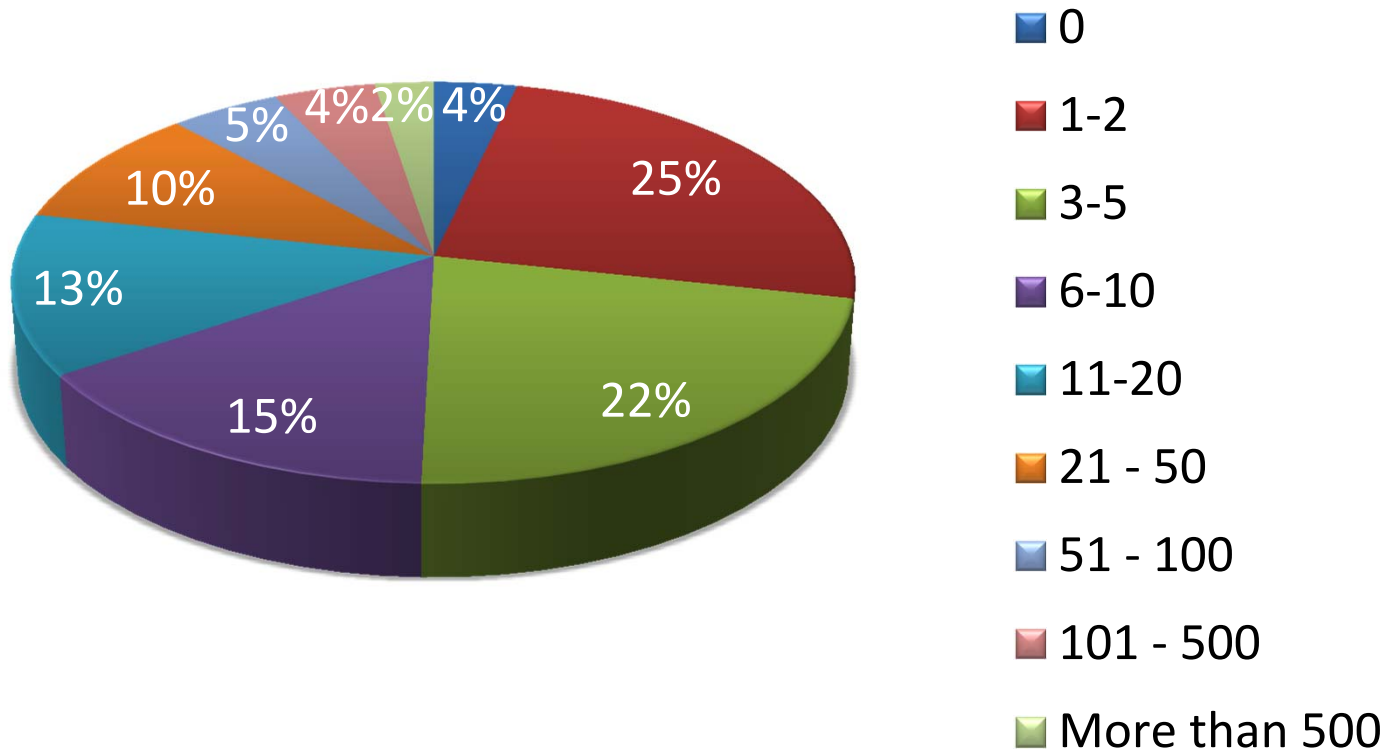


- \$0
- \$1 - \$100,000
- \$100,001 - \$500,000
- \$500,001 - \$1,000,000
- \$1,000,001 - \$5,000,000
- \$5,000,001 - \$10,000,000
- \$10,000,001 - \$25,000,000
- \$25,000,001 - \$50,000,000
- \$50,000,001 - \$100,000,000
- \$100,000,001 - \$500,000,000
- More than \$500,000,000

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Details About the Respondents

Number of Employees



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About Pepperdine Private Capital Markets Project

The Pepperdine Private Capital Markets Project at the Graziadio School of Business and Management is the first simultaneous, comprehensive, and on-going investigation of the major private capital market segments. The research seeks to understand the true cost of private capital across market types and the investment expectations of privately-held business owners; providing lenders, investors and the businesses that depend on them with critical data to make optimal investment and financing decisions, and better determine where the opportunities to create lasting economic value may be realized. Download reports and find more information at <http://bschool.pepperdine.edu/privatecapital>.

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Founded on the core values of integrity, stewardship, courage, and compassion, Pepperdine University's Graziadio (GRAT-ZEE-ah-DEE-oh) School of Business and Management has been developing values-centered leaders and advancing responsible business practice since 1969. Student-focused, experience-driven, and globally-oriented, the Graziadio School offers fully accredited top-ranked MBA, Masters of Science, and bachelor's completion business programs. More information found at <http://bschool.pepperdine.edu/newsroom/>.

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Thank You!

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