2013 Economic Forecast: Insights from Small and Mid-Sized Business Owners

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About the 2013 Economic Forecast Survey

- 25 questions
- Invite to participate distributed to sample from Dun & Bradstreet Credibility Corp.’s business database
- 2,713 completed responses
- Where relevant, responses are segmented by revenues sizes (<$5 million; $5 million to $100 million)
- Responses collected from January 14 – January 28
### Changes in Economic Forecast Over The Years

<table>
<thead>
<tr>
<th></th>
<th>January 2013</th>
<th>January 2012</th>
<th>January 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>This year US GDP (Q4/Q4)</td>
<td>0.4%</td>
<td>0.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Next year US GDP (Q4/Q4)</td>
<td>0.9%</td>
<td>1.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td>US Unemployment Rate (12/31/2012)</td>
<td>8.0%</td>
<td>8.7%</td>
<td>9.1%</td>
</tr>
<tr>
<td>US Housing prices (Q4/Q4)</td>
<td>3.0%</td>
<td>-0.8%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>S&amp;P 500 (Q4/Q4)</td>
<td>3.4%</td>
<td>2.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Probability of US Recession in 2012</td>
<td>36.2%</td>
<td>32.0%</td>
<td>28.4%</td>
</tr>
</tbody>
</table>
## 2013 Economic Forecast

<table>
<thead>
<tr>
<th></th>
<th>Projections in January 2013</th>
<th>Projections in January 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Whole sample</td>
<td>&lt;$5 million</td>
</tr>
<tr>
<td>2013 US GDP</td>
<td>0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>2014 US GDP</td>
<td>0.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Probability of US recession in the next year</td>
<td>36.2%</td>
<td>36.9%</td>
</tr>
<tr>
<td>US Housing Prices</td>
<td>3.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>3.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>US Unemployment Rate (12/31)</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Confidence in Business Growth Prospects Compared to One Year Ago
2013 versus 2012 Respondents
## The Most and The Least Influential Impediments to U.S. GDP Growth Next Year

<table>
<thead>
<tr>
<th>Impediments</th>
<th>Most Influential</th>
<th>Least Influential</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respondents in 2013</td>
<td>Respondents in 2013</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>Whole sample</td>
<td>&lt;$5 million</td>
<td>$5-$100 million</td>
</tr>
<tr>
<td>Limited access to capital</td>
<td>22%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Government regulations (tax, healthcare)</td>
<td>42%</td>
<td>42%</td>
<td>44%</td>
</tr>
<tr>
<td>Global political and/or economic environment</td>
<td>29%</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>Domestic (U.S.) economic and/or political environment</td>
<td>9%</td>
<td>9%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Year When U.S. Unemployment Rate First Reaches 6% or Below

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4%</td>
<td>8%</td>
<td>26%</td>
<td>14%</td>
<td>22%</td>
<td>27%</td>
<td>17%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Sometime after 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>

2013: [Red] 2012: [Blue]
Number of Employees Businesses Are Planning to Hire in the Next 6 Months by Size

<table>
<thead>
<tr>
<th>Size</th>
<th>Whole sample</th>
<th>&lt; $5 million</th>
<th>$5 million - $100 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>45%</td>
<td>48%</td>
<td>32%</td>
</tr>
<tr>
<td>1-2</td>
<td>32%</td>
<td>34%</td>
<td>22%</td>
</tr>
<tr>
<td>3-5</td>
<td>13%</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>6-10</td>
<td>5%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>11-15</td>
<td>2%</td>
<td>1%</td>
<td>6%</td>
</tr>
<tr>
<td>16-20</td>
<td>1%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>21-30</td>
<td>1%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>31-40</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>41-50</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>76-100</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Number of Employees Businesses Are Planning to Hire in the Next 6 Months with Revenue Size Under $5 Million, 2013 vs 2012

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>2013, &lt;$5 million</th>
<th>2012, &lt;$5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>1-2</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>3-5</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>6-10</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>11-15</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Number of Employees Businesses Are Planning to Hire in the Next 6 Months with Revenue Size Between $5 Million and $100 Million

2013 vs 2012

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>2013, $5M - $100M</th>
<th>2012, $5M - $100M</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>1-2</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>3-5</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>6-10</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>11-15</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>16-20</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>21-30</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>31-40</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>41-50</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>51-75</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>76-100</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>More than 100</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Percentage of Respondents Who Raised Pay for Employees in the Last 12 Months

- **Yes**:
  - 2013: 45%
  - 2012: 42%

- **No**:
  - 2013: 55%
  - 2012: 57%

- **Unsure**:
  - 2013: 0%
  - 2012: 1%
Percentage of Respondents Who Plan To Raise Pay for Employees in the Next 12 Months

- Yes: 39% (2013) vs 41% (2012)
- No: 44% (2013) vs 41% (2012)
- Unsure: 17% (2013) vs 18% (2012)
Percentage of Respondents Who Plan to Give Employees Raises To Account for the Increase in Payroll Tax

![Bar Chart]

- **Yes**:
  - Whole sample: 9%
  - <$5 million: 9%
  - $5-$100 million: 8%

- **No**:
  - Whole sample: 83%
  - <$5 million: 83%
  - $5-$100 million: 87%

- **Unsure**:
  - Whole sample: 8%
  - <$5 million: 8%
  - $5-$100 million: 5%
Percentage of Respondents Who Think Instability in Washington DC is Negatively Impacting Their Ability To Hire

<table>
<thead>
<tr>
<th></th>
<th>Whole sample</th>
<th>&lt;$5 million</th>
<th>$5-$100 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>61%</td>
<td>62%</td>
<td>57%</td>
</tr>
<tr>
<td>No</td>
<td>31%</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Unsure</td>
<td>8%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Percentage of Business Owners Who Personally Made More Money Last Year Than Year Prior

- Yes: 37% (2013) 37% (2012)
- No: 61% (2013) 61% (2012)
- Unsure: 2% (2013) 2% (2012)
Percentage of Owners Who Personally Expect To Make More Money Next Year

- Yes: 48% (2013) vs 49% (2012)
- No: 41% (2013) vs 38% (2012)
- Unsure: 11% (2013) vs 13% (2012)
Policies to Help Spur U.S. Job Creation

<table>
<thead>
<tr>
<th>Policy</th>
<th>Whole sample</th>
<th>&lt;$5 million</th>
<th>$5-$100 million</th>
<th>2012 resp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory reform</td>
<td>28%</td>
<td>28%</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>28%</td>
<td>27%</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>Increased access to capital</td>
<td>26%</td>
<td>26%</td>
<td>19%</td>
<td>30%</td>
</tr>
<tr>
<td>Education reform</td>
<td>6%</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Increased competitive position with foreign trade partners</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Percentage of Respondents Who Support Increase of U.S. Government Debt Limit Next Year

- Yes: 34% (2013), 8% (2012)
- No: 58% (2013), 79% (2012)
- Unsure: 8% (2013), 13% (2012)
Percentage of Respondents Who Support Policies/Actions To Weaken U.S. Dollar

- Yes: 8% (2013), 9% (2012)
- No: 79% (2013), 78% (2012)
- Unsure: 13% (2013), 13% (2012)
Percentage of Respondents Who Support Policies/Actions To Lower Interest Rates

Yes: 40% (2013) vs 41% (2012)
No: 48% (2013) vs 49% (2012)
Unsure: 12% (2013) vs 10% (2012)
Percentage of Respondents Who Support U.S. Government Policies/Actions To Financially Support Struggling European Economies

Yes: 12% (2013), 18% (2012)
No: 73% (2013), 66% (2012)
Unsure: 15% (2013), 16% (2012)
Percentage of Respondents Who Support Balanced U.S. Government Budget

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84%</td>
<td>79%</td>
</tr>
<tr>
<td>No</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Unsure</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>
The Earliest Time to Support an Increase in the U.S. Government Debt Limit

![Bar chart showing the earliest time to support an increase in the U.S. Government Debt Limit. The chart indicates the percentage of respondents supporting different timetables. The earliest time supported by a significant portion is the first half of 2013, with 35% of the whole sample. The least supported times are 2017 or later and never, both with 43% of the whole sample. Other times supported range from 2% to 6%.](image-url)
Outlook for Business in 2013 after Fiscal Cliff Was Averted

- Better: 14%
- Worse: 20%
- Neutral - neither better nor worse: 66%
How Respondents Feel the Affordable Care Act Will Affect the Overall Health Care Costs of their Businesses

- Increase the health care costs: 42%
- Decrease the health care costs: 6%
- No significant effect: 27%
- Unsure: 25%
Percentage of Respondents Who Currently Offer Some Kind of Health Care Plan for Employees

- Yes: 41%
- No: 28%
- Not applicable, I am a 1-2 person company: 31%
Adjustments That Respondents Are Planning to Make to Business Healthcare Plan

- **Drop employee health insurance coverage and pay employer mandate penalty tax**: 9%
- **Switch to defined contribution healthcare plan**: 3%
- **Keep current employee healthcare coverage but shop for cheaper rates**: 28%
- **Keep current employee healthcare coverage but reduce other employee benefits**: 5%
- **Keep insurance, but reduce coverage (benefits)**: 16%
- **No changes**: 39%
Details About the Respondents
Geographic Location

Less than or equal to 14
15 - 40
41 - 64
65 - 80
81 - 120
121 - 150
151 - 300
more than 300
Details About the Respondents
Percentage of Respondents Who Feel Their State Supports Business Policies That Benefit Their Business

Yes: 50%
No: 50%
Details About the Respondents
Percentage of Respondents Who Feel Their State Should Be More Involved in Making Capital More Accessible to Businesses

Yes: 64%
No: 36%
Details About the Respondents
Percentage of Respondents Who Feel That They Have Access to Information about Available Capital Programs That Their Business Could Be Participating in Their State Today

Yes: 44%
No: 56%
Details About the Respondents

Industry

- Services: 31%
- Retail trade: 10%
- Construction: 10%
- Finance & real estate: 11%
- Manufacturing: 7%
- Information technology or services: 6%
- Health care: 5%
- Wholesale trade: 4%
- Unclassified establishments: 3%
- Educational services: 3%
- Arts, entertainment or recreation: 2%
- Transportation and warehousing: 1%
- Forestry, fishing, hunting or agriculture: 1%
- Utilities & mining: 1%
Details About the Respondents

Annual Revenues

- $0 or pre-revenue stage: 2%
- $1 - $100,000: 1%
- $100,001 - $500,000: 3%
- $500,001 - $1,000,000: 6%
- $1,000,001 - $5,000,000: 22%
- $5,000,001 - $10,000,000: 13%
- $10,000,001 - $25,000,000: 5%
- $25,000,001 - $50,000,000: 19%
- $50,000,001 - $100,000,000: 25%
- $100,000,001 - $500,000,000: 3%
- More than $500,000,000: 1%
Details About the Respondents

Annual Revenues Change Over Last 12 Months
Details About the Respondents

Annual Revenues Change Expectations (Next 12 Months)

- Decline:
  - 2% > 50%
  - 1% 41-50%
  - 1% 31-40%
  - 2% 21-30%
  - 2% 16-20%
  - 2% 11-15%
  - 3% 6-10%
  - 2% 4-5%
  - 2% 2-3%
  - 2% Stayed flat
- Increase:
  - 22% 2-3%
  - 13% 4-5%
  - 8% 6-10%
  - 11% 11-15%
  - 6% 16-20%
  - 6% 21-30%
  - 5% 31-40%
  - 2% 41-50%
  - 8% > 50%
  - 6.4% Average
Details About the Respondents

Annual Income

- $0 or pre-revenue stage: 2%
- $1 - $100,000: 19%
- $100,001 - $500,000: 13%
- $500,001 - $1,000,000: 3%
- $1,000,001 - $5,000,000: 2%
- $5,000,001 - $10,000,000: 6%
- $10,000,001 - $25,000,000: 22%
- $25,000,001 - $50,000,000: 25%
- $50,000,001 - $100,000,000: 3%
- $100,000,001 - $500,000,000: 1%
- More than $500,000,000: 1%
Details About the Respondents

Firm age

- 39%: Less than 1 year
- 22%: At least 1 but less than 2
- 14%: At least 2 but less than 3
- 7%: At least 3 but less than 5
- 7%: At least 5 but less than 10
- 6%: At least 10 but less than 20
- 5%: 20 or more
Details About the Respondents

Number of Employees

- 0: 1%
- 1-2: 2%
- 3-5: 4%
- 6-10: 7%
- 11-15: 3%
- 16-20: 3%
- 21-30: 5%
- 31-50: 4%
- 51-100: 15%
- 101-200: 15%
- More than 200: 35%
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](http://bschool.pepperdine.edu/privatecapital).

About Pepperdine University’s Graziadio School of Business and Management
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/](http://bschool.pepperdine.edu/newsroom/).
THANK YOU!

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