

2014 Economic Forecast: Insights from Small and Mid-Sized Business Owners

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ABOUT THE 2014 ECONOMIC FORECAST SURVEY

- 25 questions
- Invite to participate distributed to sample from Dun & Bradstreet Credibility Corp.'s business database
- 3,615 completed responses
- Where relevant, responses are segmented by revenues sizes (<\$5 million; \$5 million to \$100 million)
- Responses collected from Jan 29 – Feb 28, 2014

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DUN & BRADSTREET CREDIBILITY CORP.

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Vice President, Marketing Operations

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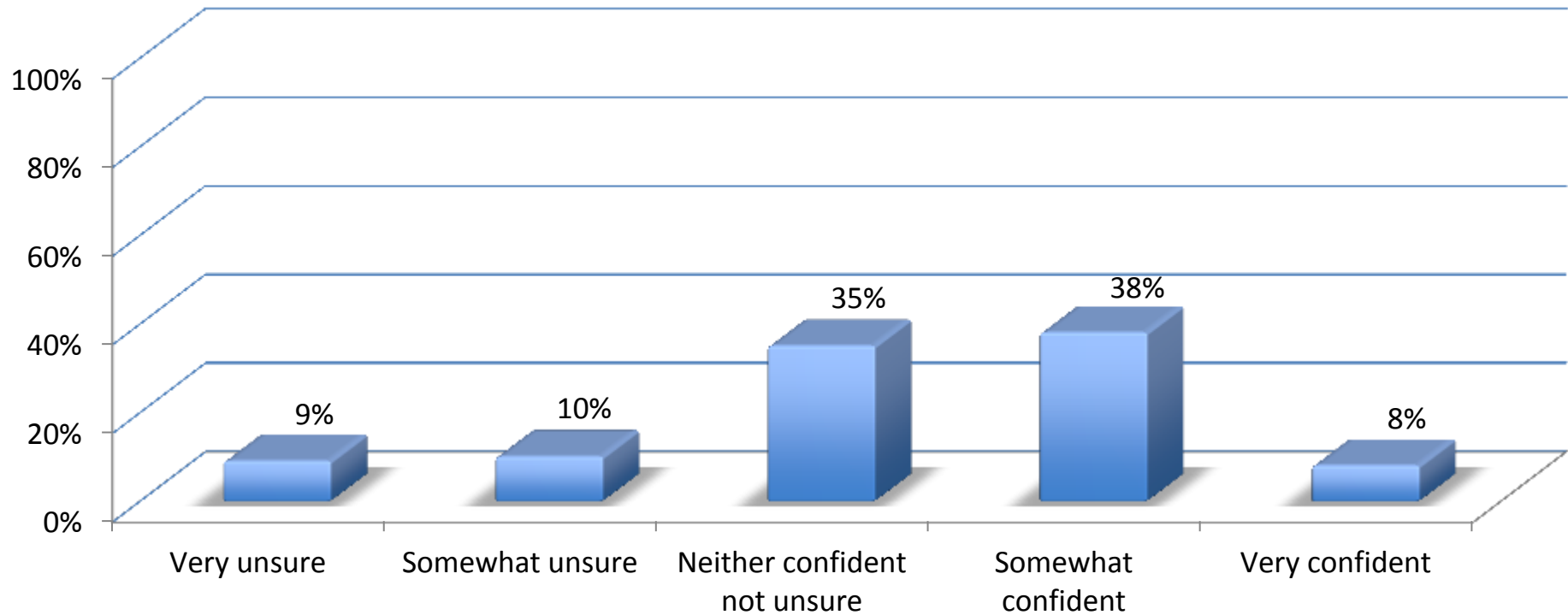
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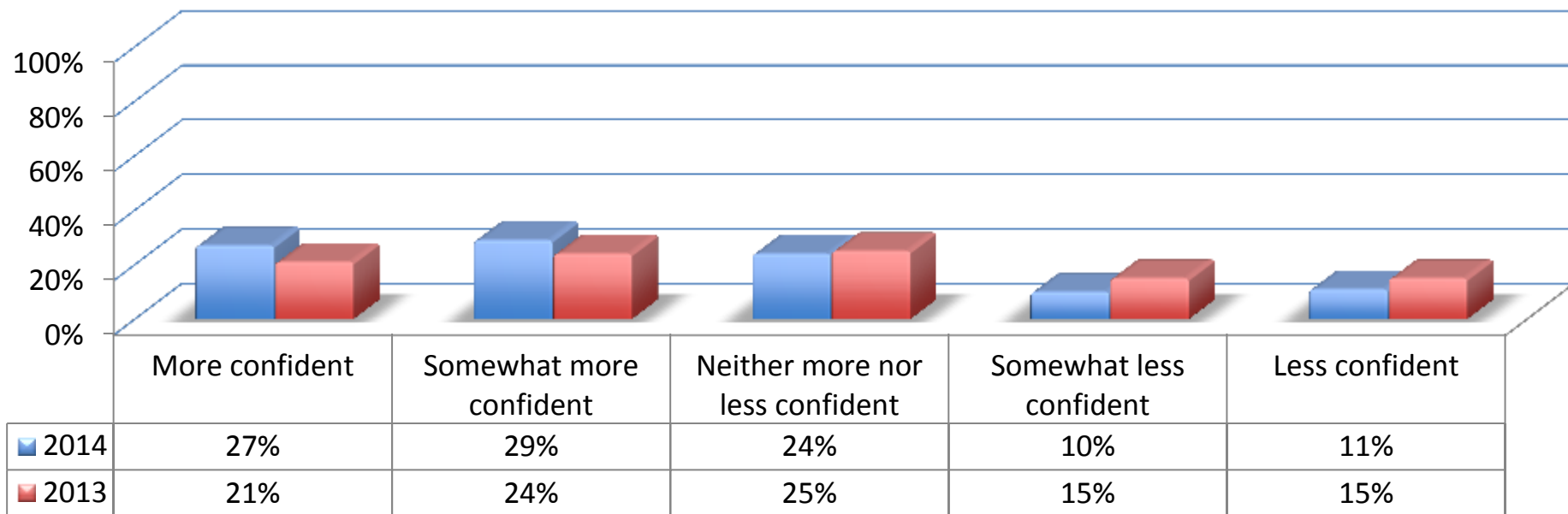
2014 ECONOMIC FORECAST

| | Projections in January 2014 | | | Projections in January 2013 | | |
|--|-----------------------------|--------------|-------------------|-----------------------------|--------------|-------------------|
| | Whole sample | <\$5 million | \$5-\$100 million | Whole sample | <\$5 million | \$5-\$100 million |
| This year US GDP | 0.6% | 0.6% | 1.2% | 0.4% | 0.3% | 0.6% |
| Next year US GDP | 1.2% | 1.1% | 1.7% | 0.9% | 0.9% | 1.0% |
| Probability of US recession in the next year | 29.2% | 29.9% | 23.0% | 36.2% | 36.9% | 32.9% |
| US Housing Prices | 2.8% | 2.8% | 3.5% | 3.0% | 2.9% | 2.2% |
| S&P 500 | 4.0% | 4.0% | 4.3% | 3.4% | 3.5% | 3.5% |
| US Unemployment Rate (12/31) | 7.7% | 7.7% | 7.1% | 8.0% | 8.0% | 8.0% |

CONFIDENCE IN GDP GROWTH PROJECTIONS



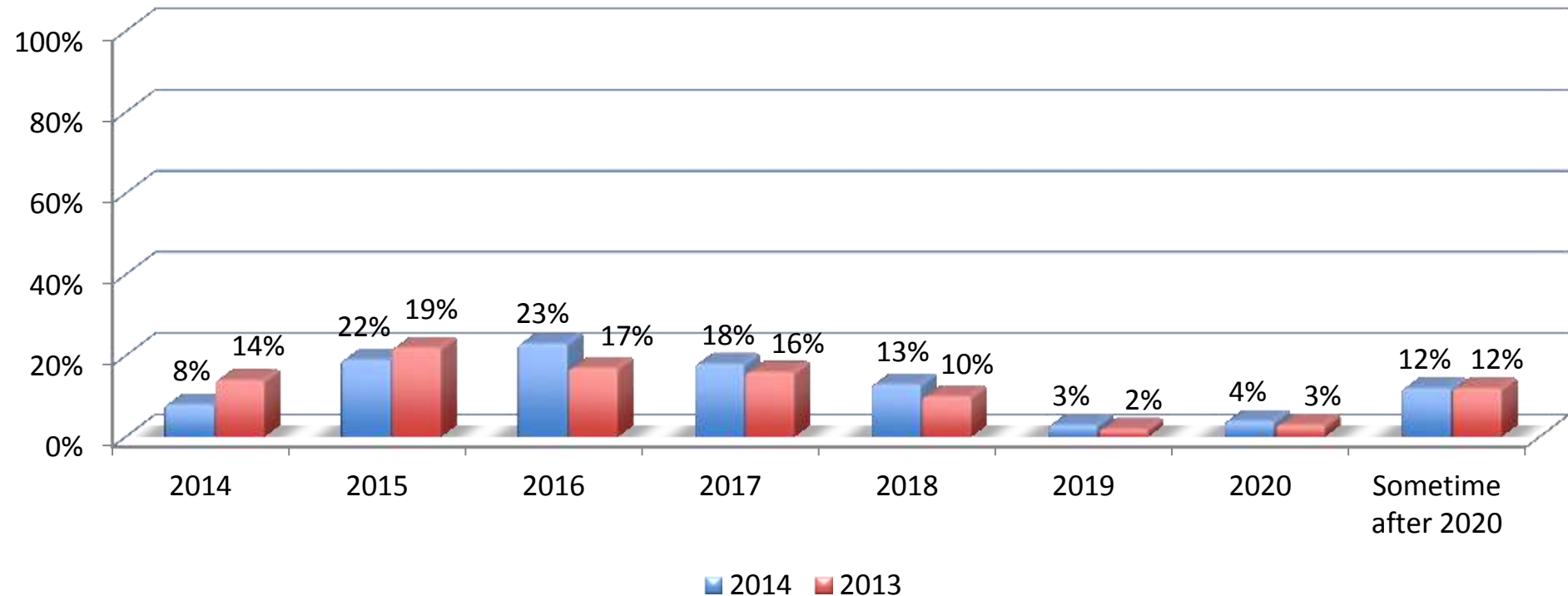
CONFIDENCE IN BUSINESS GROWTH PROSPECTS COMPARED TO ONE YEAR AGO 2014 VERSUS 2013 RESPONDENTS



THE MOST AND THE LEAST INFLUENTIAL IMPEDIMENTS TO U.S. GDP GROWTH NEXT YEAR

| Impediments | Most Influential | | | | Least Influential | | | |
|---|---------------------|--------------|-------------------|------|---------------------|--------------|-------------------|------|
| | Respondents in 2014 | | | 2013 | Respondents in 2014 | | | 2013 |
| | Whole sample | <\$5 million | \$5-\$100 million | | Whole sample | <\$5 million | \$5-\$100 million | |
| Limited access to capital | 18% | 19% | 13% | 22% | 44% | 42% | 56% | 36% |
| Government regulations (tax, healthcare) | 39% | 38% | 48% | 42% | 17% | 18% | 11% | 16% |
| Global political and/or economic environment | 30% | 30% | 28% | 29% | 6% | 6% | 4% | 5% |
| Domestic (U.S.) economic and/or political environment | 13% | 14% | 12% | 9% | 33% | 33% | 28% | 43% |

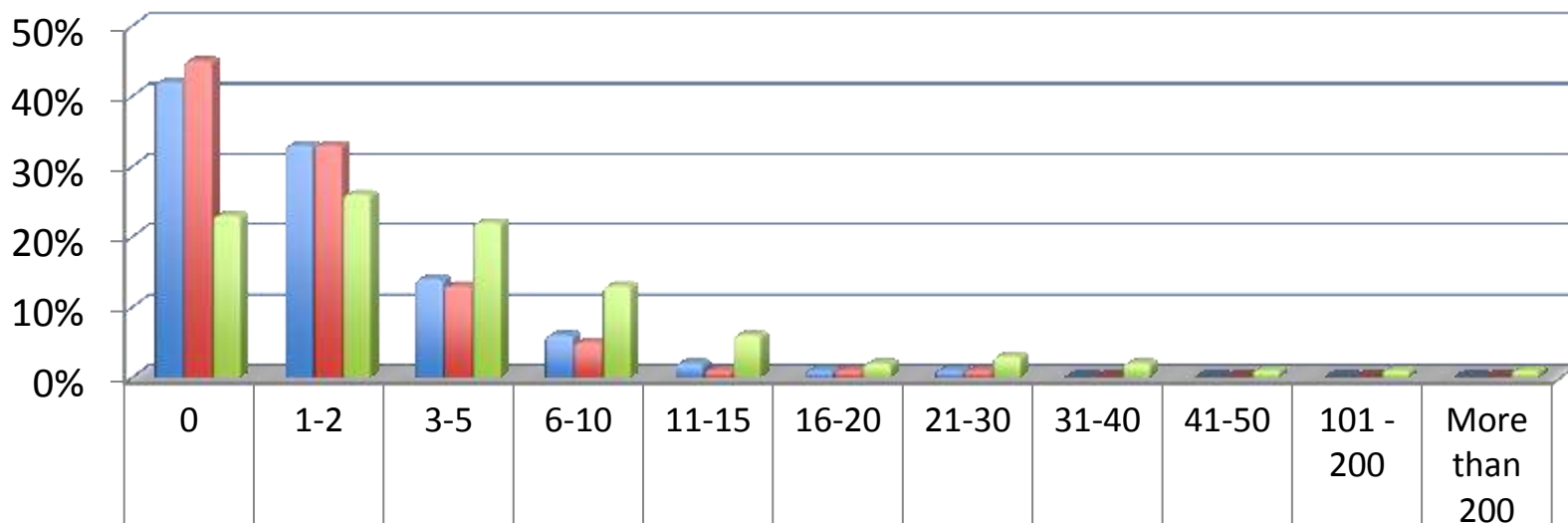
YEAR WHEN U.S. UNEMPLOYMENT RATE FIRST REACHES 6% OR BELOW



CHANGES IN ECONOMIC FORECAST OVER THE YEARS

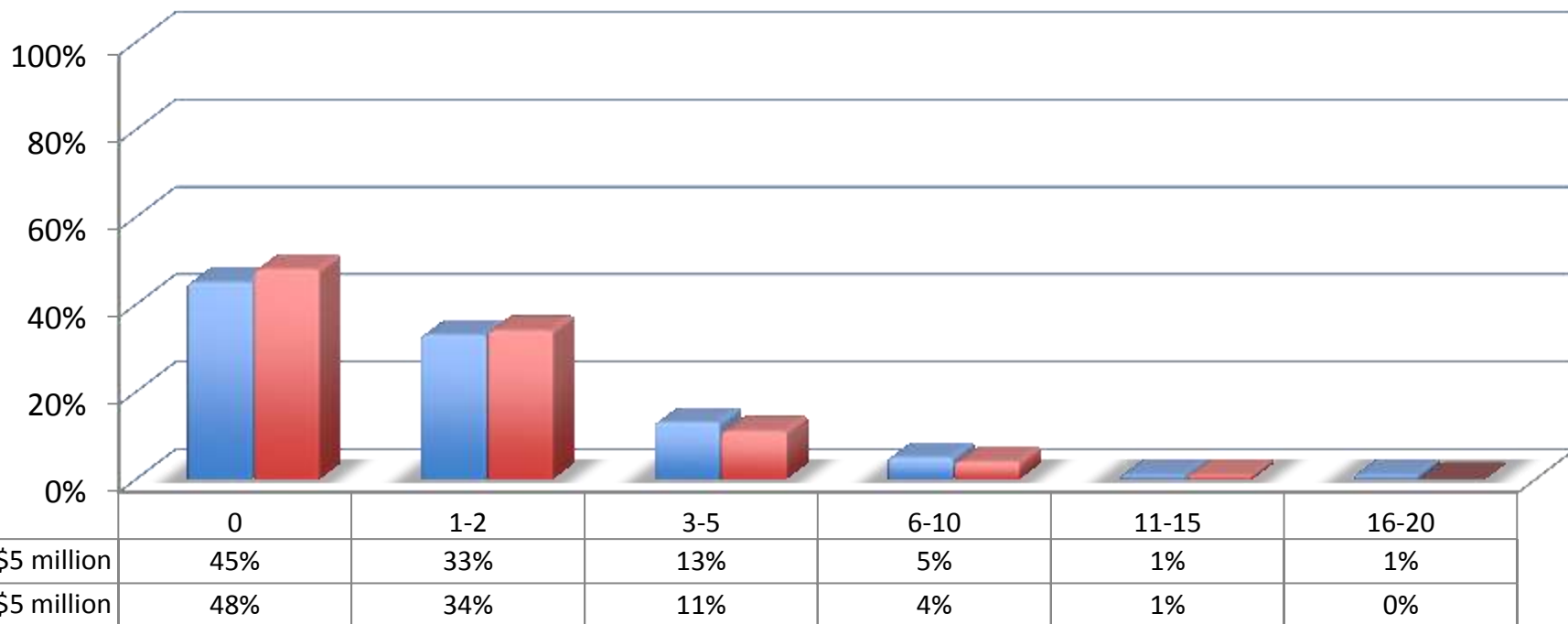
| | January 2014 | January 2013 | January 2012 | January 2011 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| This year US GDP (Q4/Q4) | 0.6% | 0.4% | 0.7% | 2.0% |
| Next year US GDP (Q4/Q4) | 1.2% | 0.9% | 1.9% | 2.5% |
| US Unemployment Rate (12/31/2012) | 7.7% | 8.0% | 8.7% | 9.1% |
| US Housing prices (Q4/Q4) | 2.8% | 3.0% | -0.8% | -1.8% |
| S&P 500 (Q4/Q4) | 4.0% | 3.4% | 2.5% | 6.5% |
| Probability of US Recession in 2012 | 29.2% | 36.2% | 32.0% | 28.4% |

NUMBER OF EMPLOYEES BUSINESSES ARE PLANNING TO HIRE IN THE NEXT SIX MONTHS BY SIZE

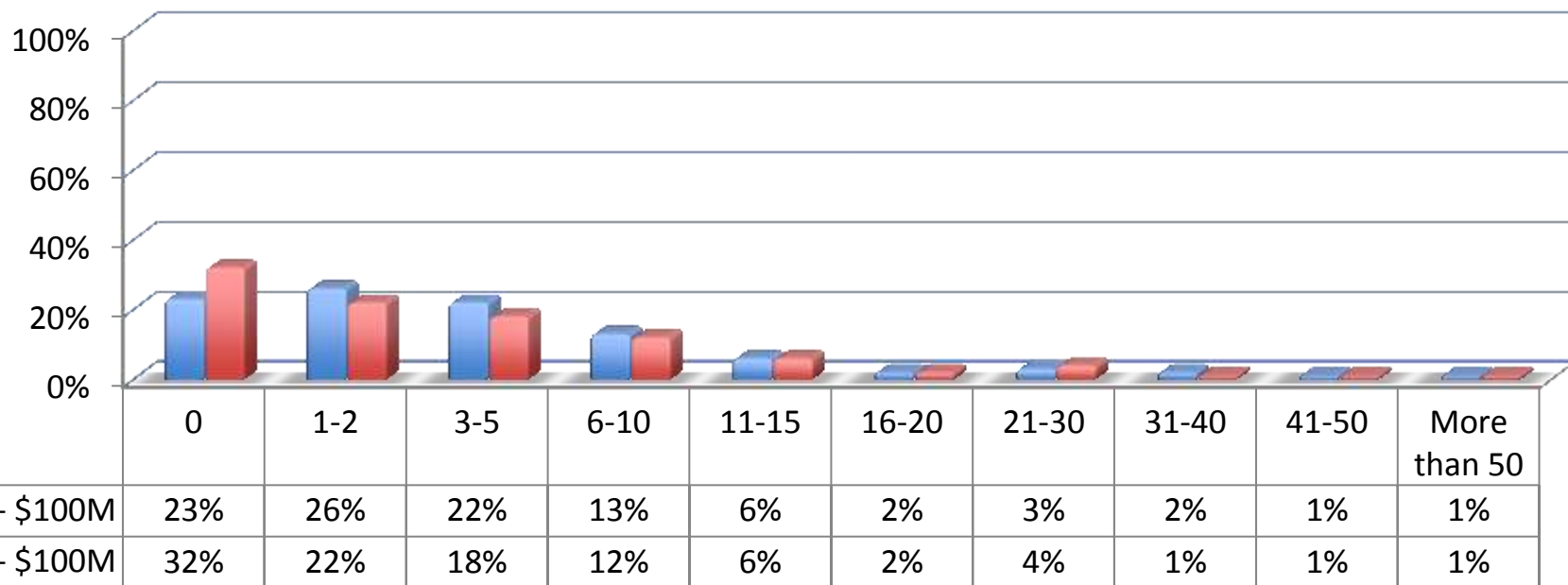


| | | | | | | | | | | | |
|-----------------------------|-----|-----|-----|-----|----|----|----|----|----|----|----|
| Whole sample | 42% | 33% | 14% | 6% | 2% | 1% | 1% | 0% | 0% | 0% | 0% |
| < \$5 million | 45% | 33% | 13% | 5% | 1% | 1% | 1% | 0% | 0% | 0% | 0% |
| \$5 million - \$100 million | 23% | 26% | 22% | 13% | 6% | 2% | 3% | 2% | 1% | 1% | 1% |

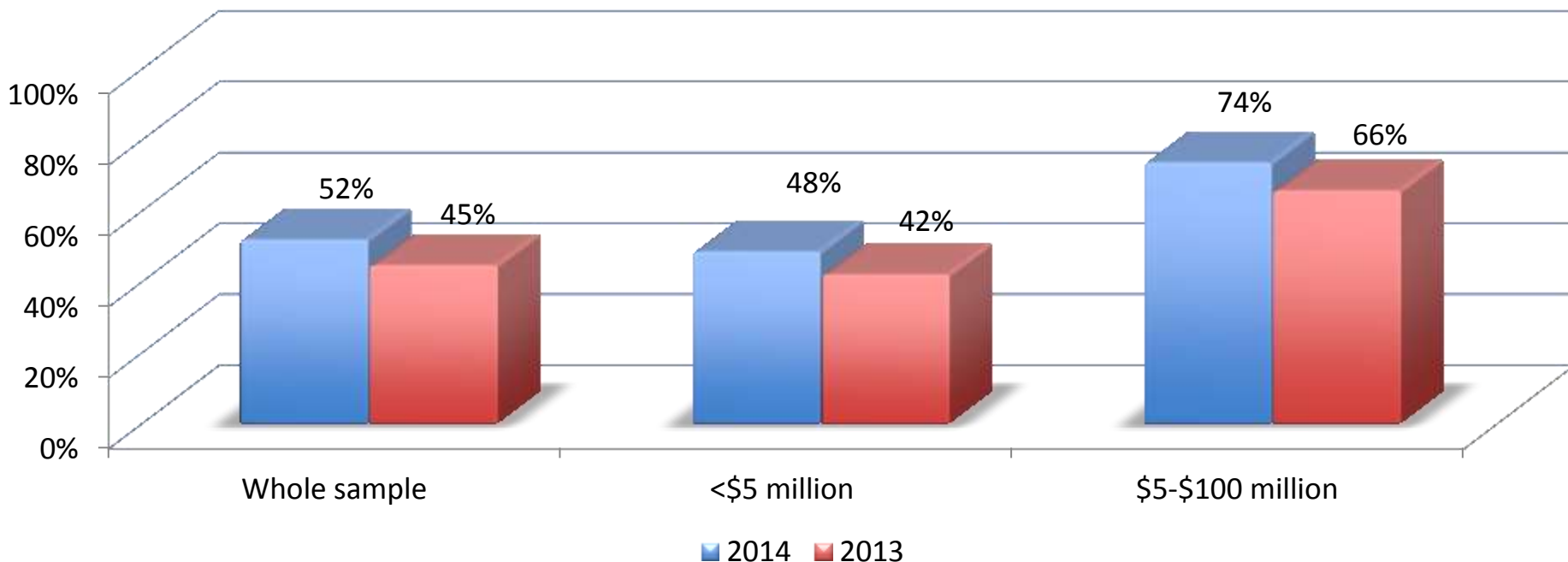
NUMBER OF EMPLOYEES BUSINESSES ARE PLANNING TO HIRE IN THE NEXT SIX MONTHS WITH REVENUE SIZE UNDER \$5 MILLION, 2014 VS 2013



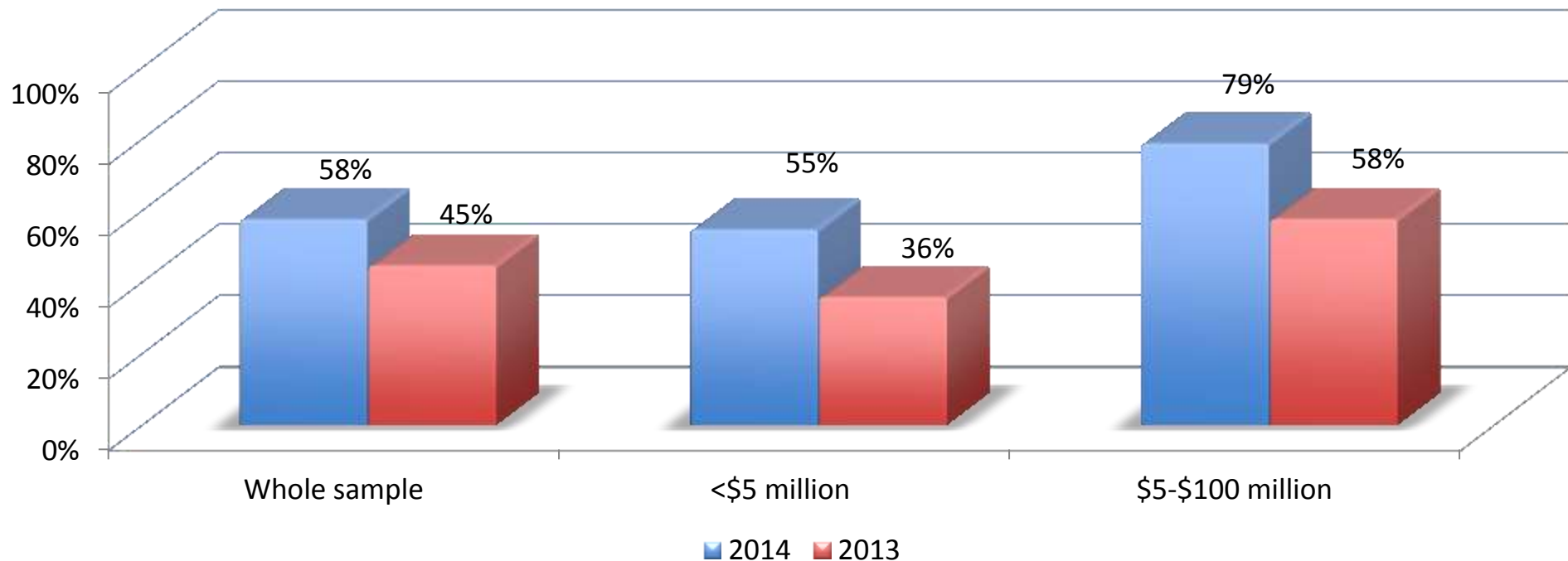
NUMBER OF EMPLOYEES BUSINESSES ARE PLANNING TO HIRE IN THE NEXT SIX MONTHS WITH REVENUE SIZE BETWEEN \$5 MILLION AND \$100 MILLION 2014 VS 2013



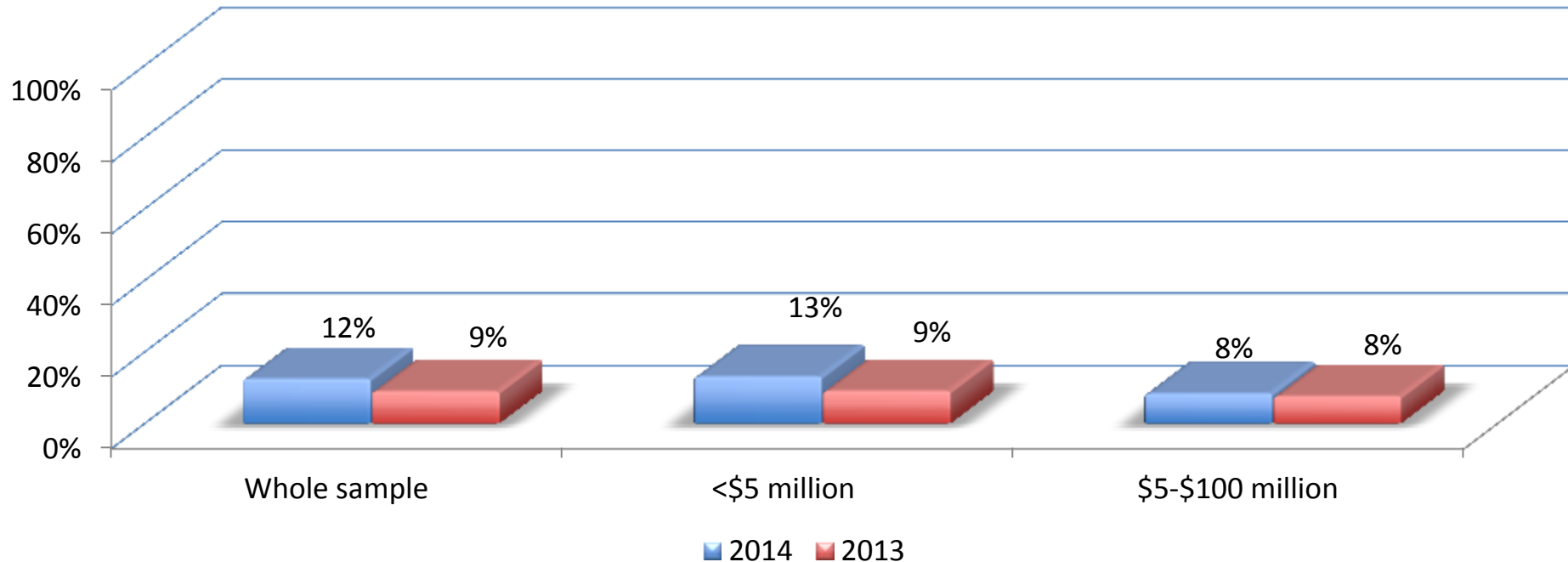
PERCENTAGE OF RESPONDENTS WHO RAISED PAY FOR EMPLOYEES IN THE LAST 12 MONTHS BY SIZE



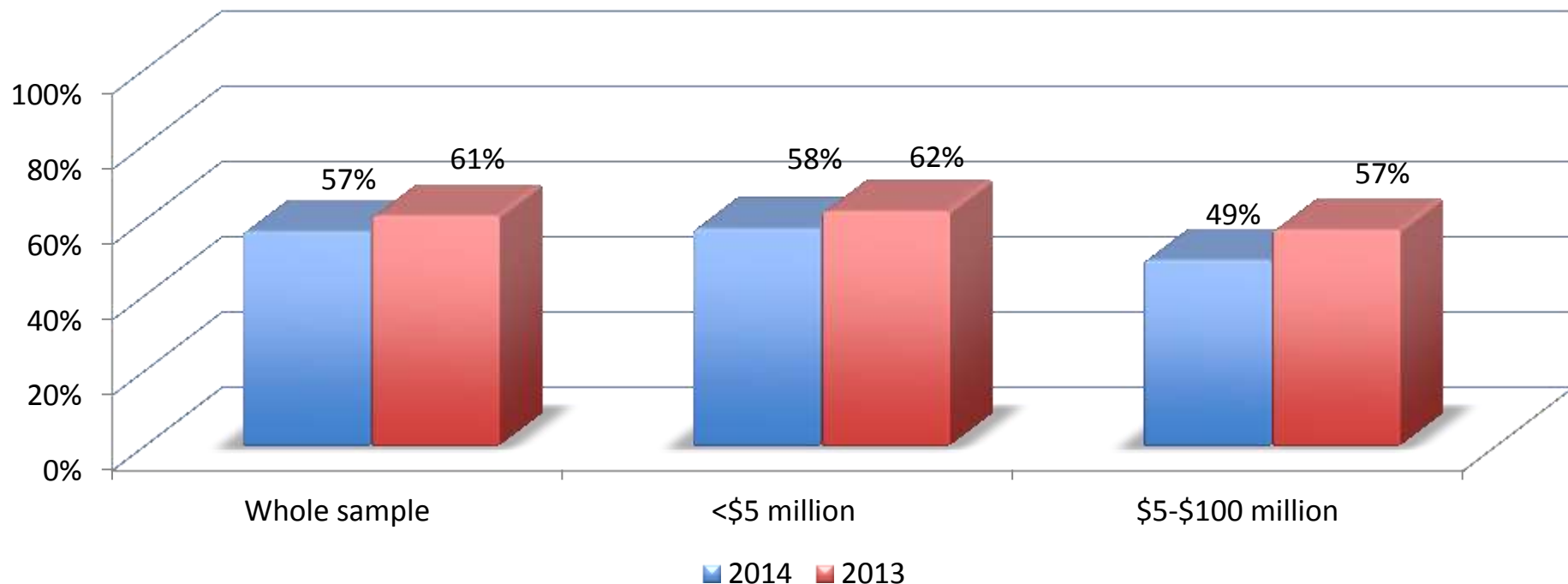
PERCENTAGE OF RESPONDENTS WHO PLAN TO RAISE PAY FOR EMPLOYEES IN THE NEXT 12 MONTHS



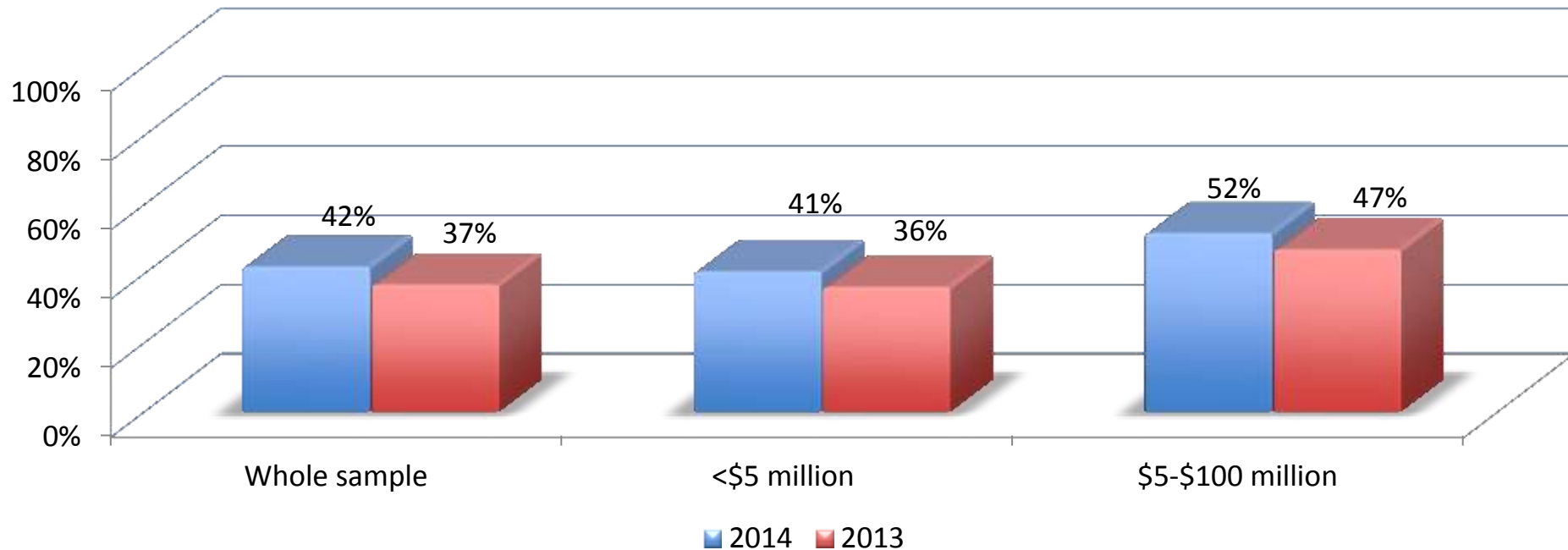
PERCENTAGE OF RESPONDENTS WHO PLAN TO GIVE EMPLOYEES RAISES TO ACCOUNT FOR THE INCREASE IN PAYROLL TAX



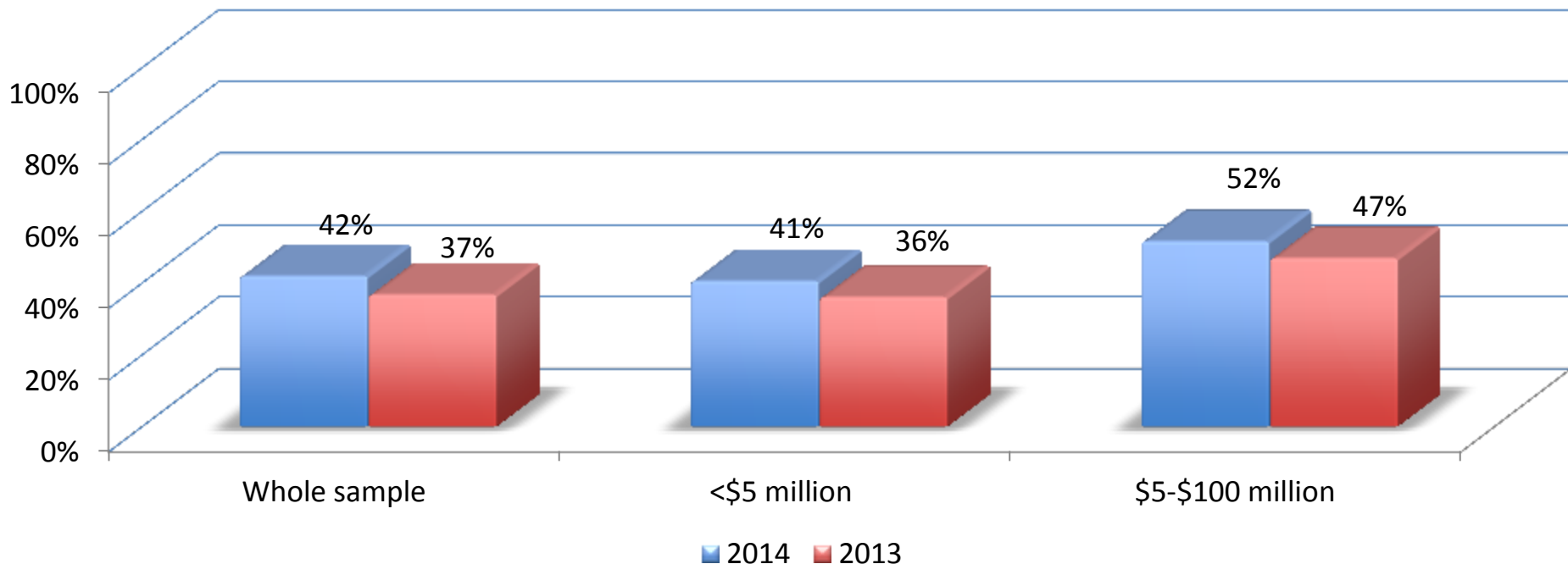
PERCENTAGE OF RESPONDENTS WHO THINK INSTABILITY IN WASHINGTON DC IS NEGATIVELY IMPACTING THEIR ABILITY TO HIRE



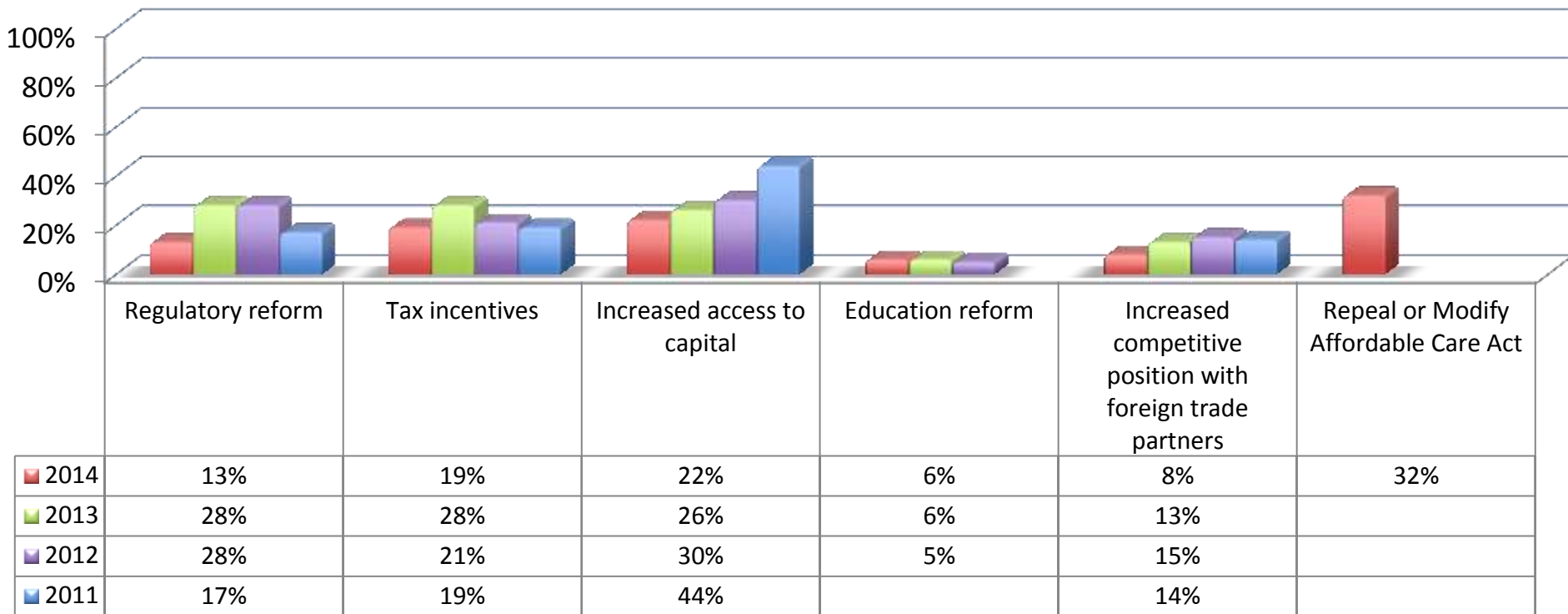
PERCENTAGE OF BUSINESS OWNERS WHO PERSONALLY MADE MORE MONEY LAST YEAR THAN YEAR PRIOR



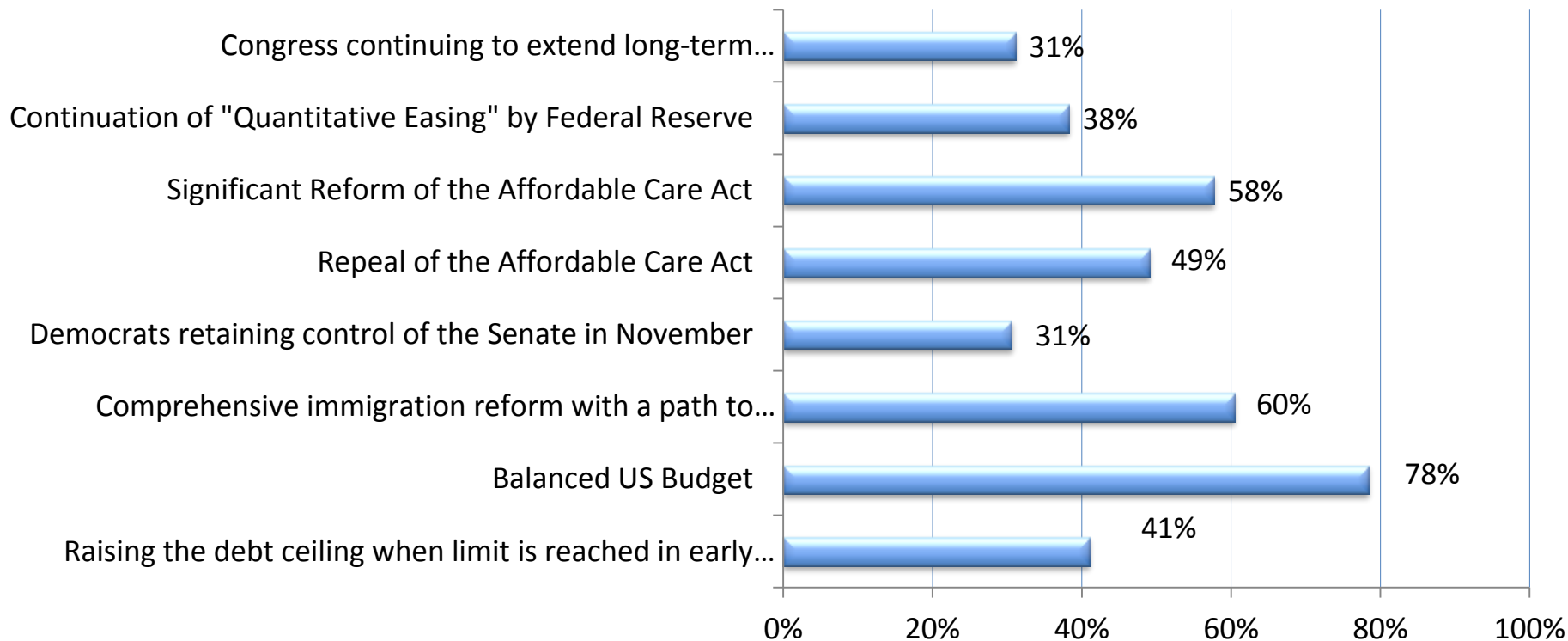
PERCENTAGE OF OWNERS WHO PERSONALLY EXPECT TO MAKE MORE MONEY NEXT YEAR



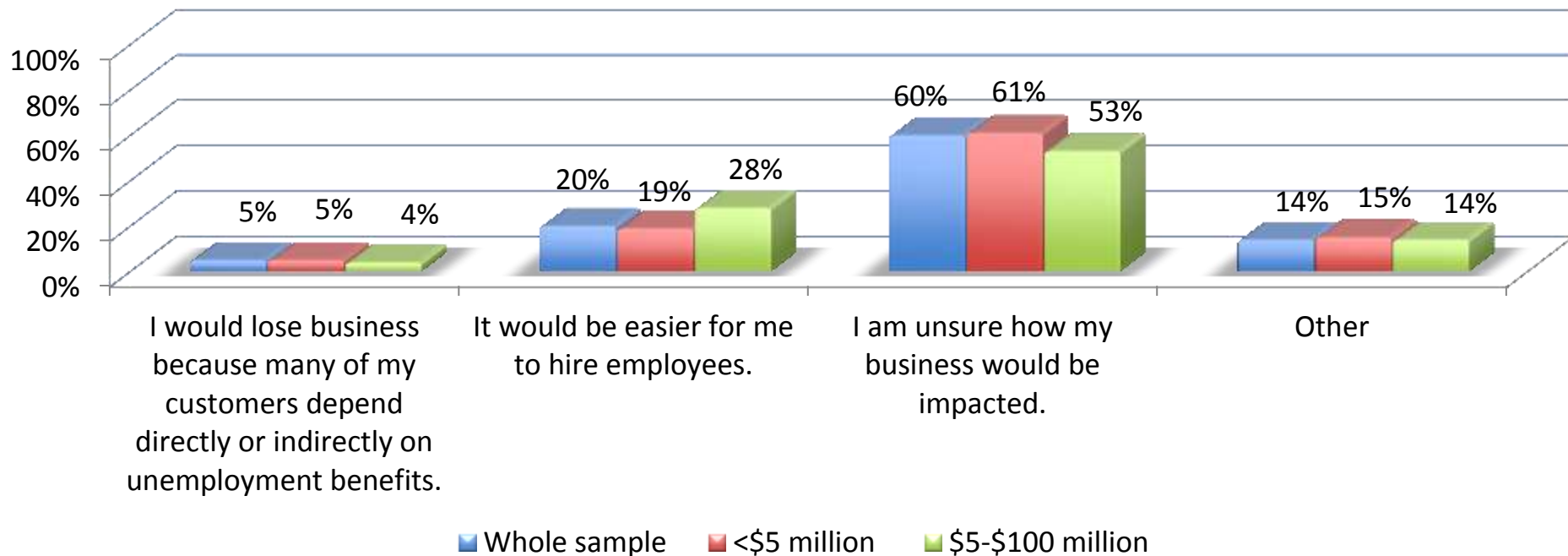
POLICIES TO HELP SPUR U.S. JOB CREATION



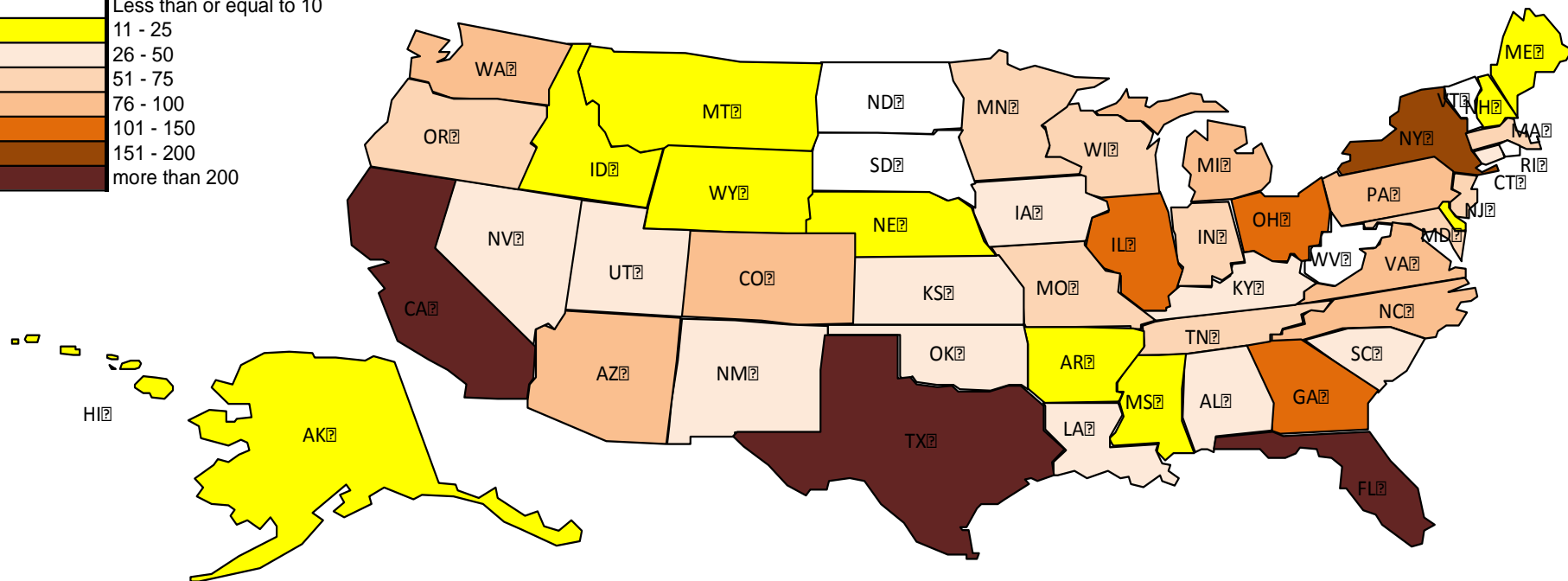
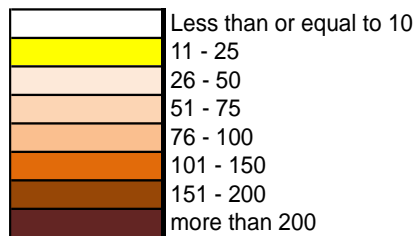
POLICIES SUPPORTED IN 2014



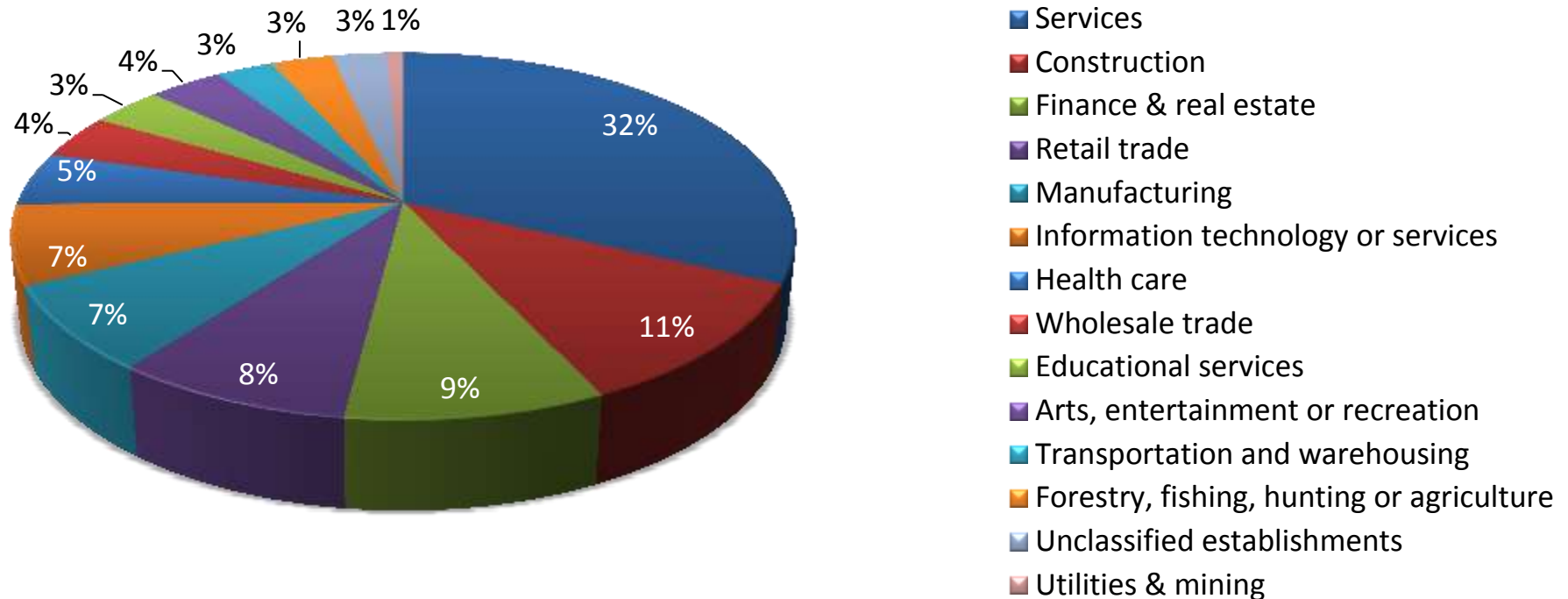
HOW WOULD RESPONDENTS BE IMPACTED IF UNEMPLOYMENT BENEFITS ARE NOT EXTENDED BY SIZE (MULTIPLE CHOICE)



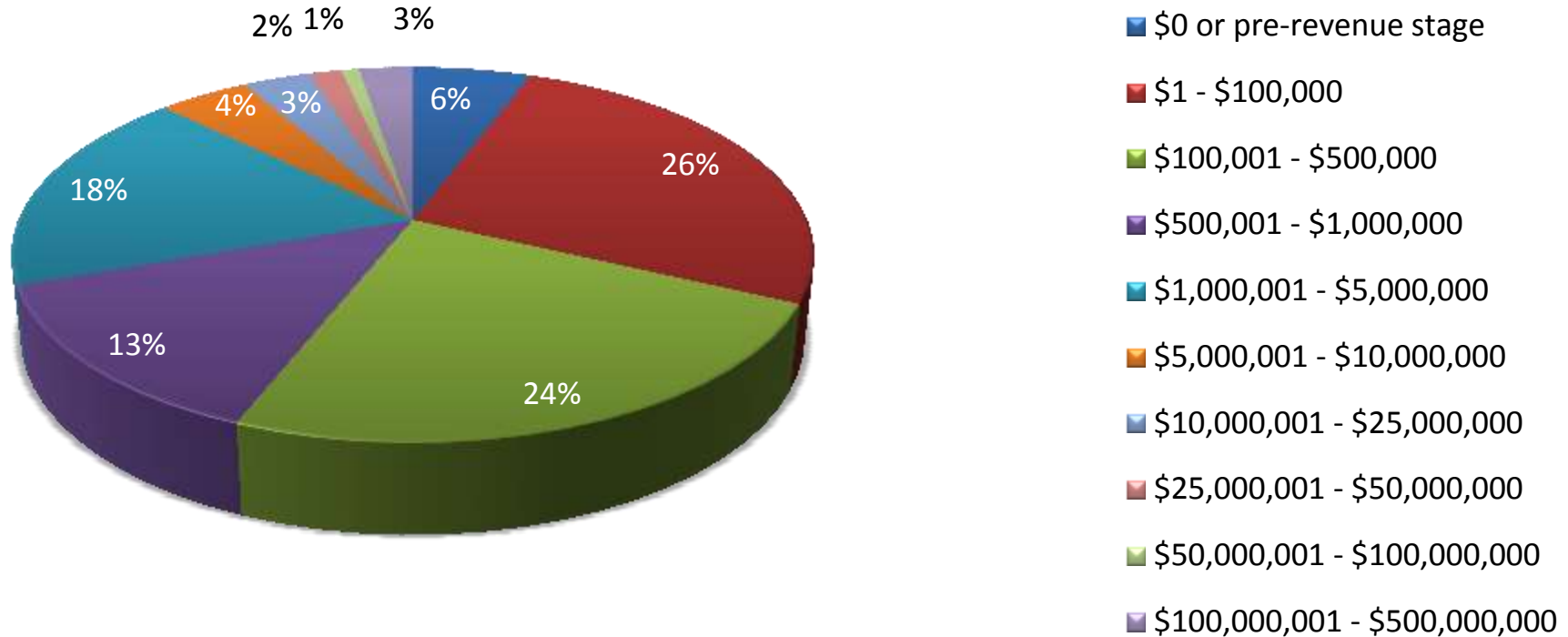
DETAILS ABOUT THE RESPONDENTS GEOGRAPHIC LOCATION



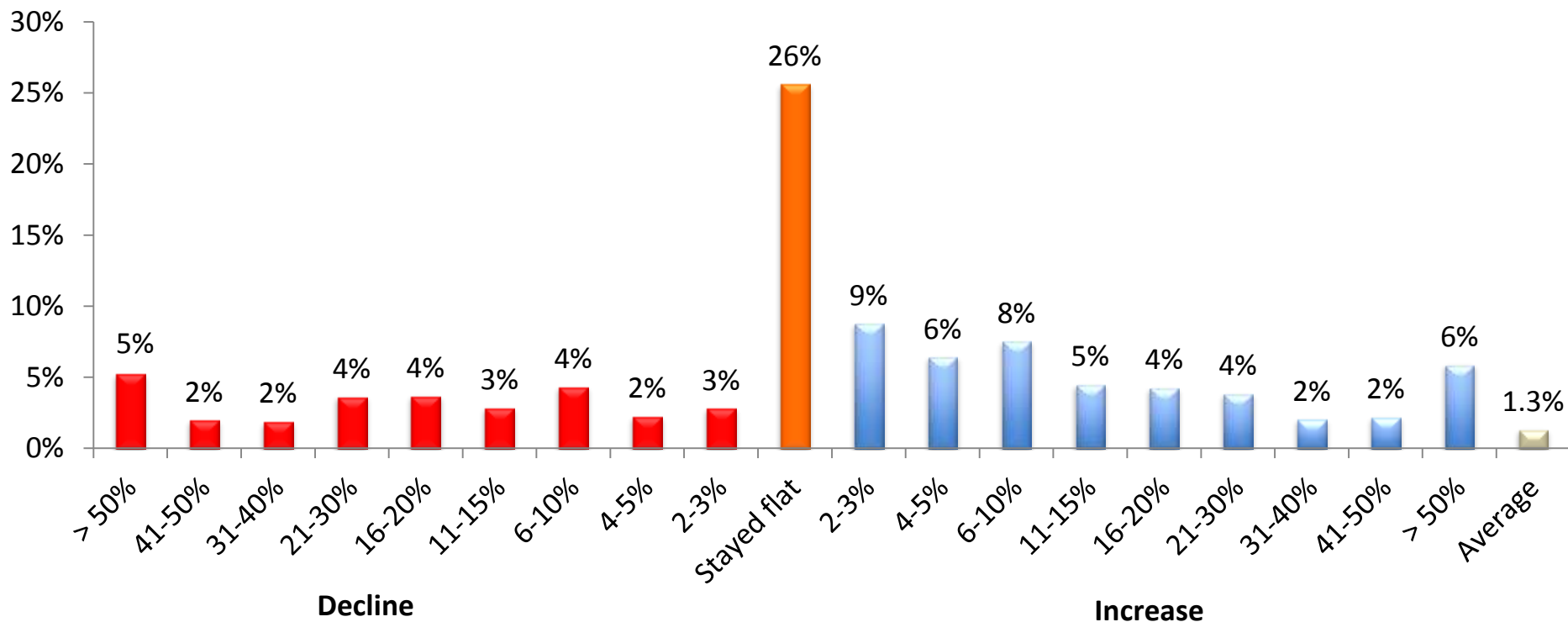
DETAILS ABOUT THE RESPONDENTS INDUSTRY



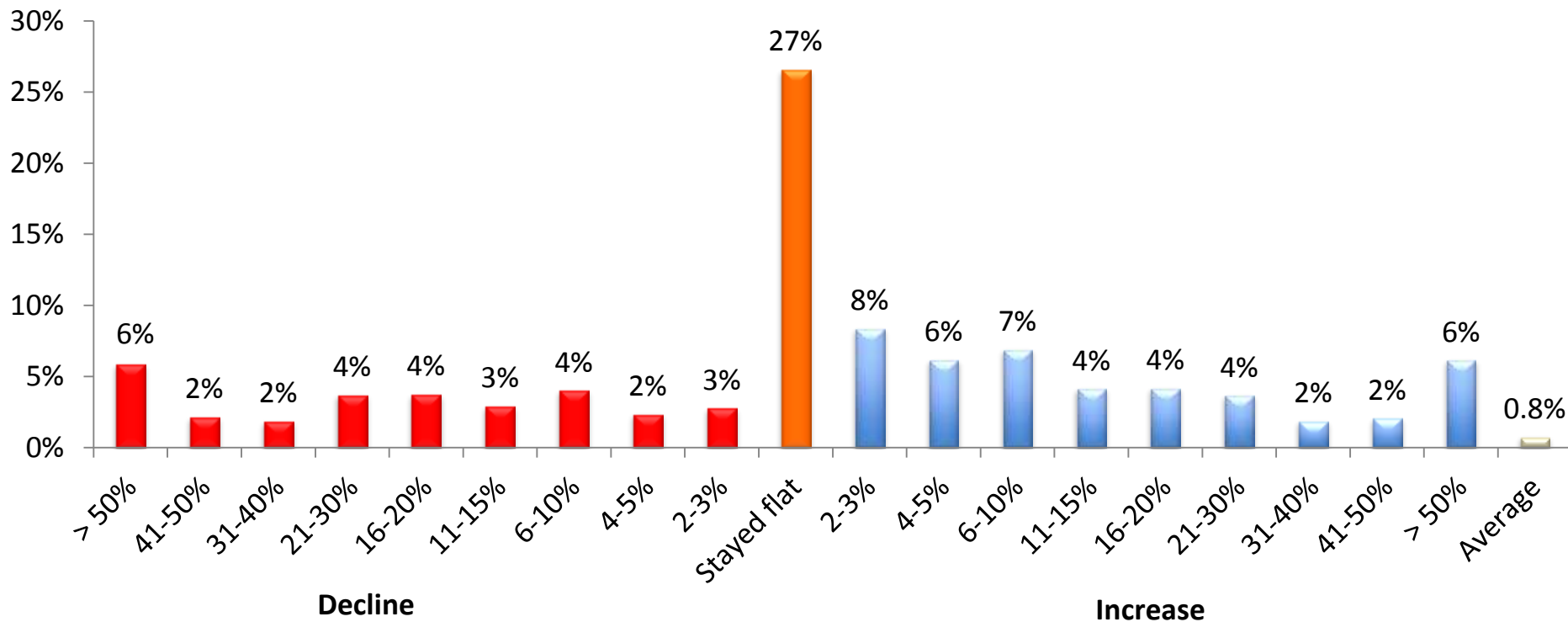
DETAILS ABOUT THE RESPONDENTS ANNUAL REVENUES



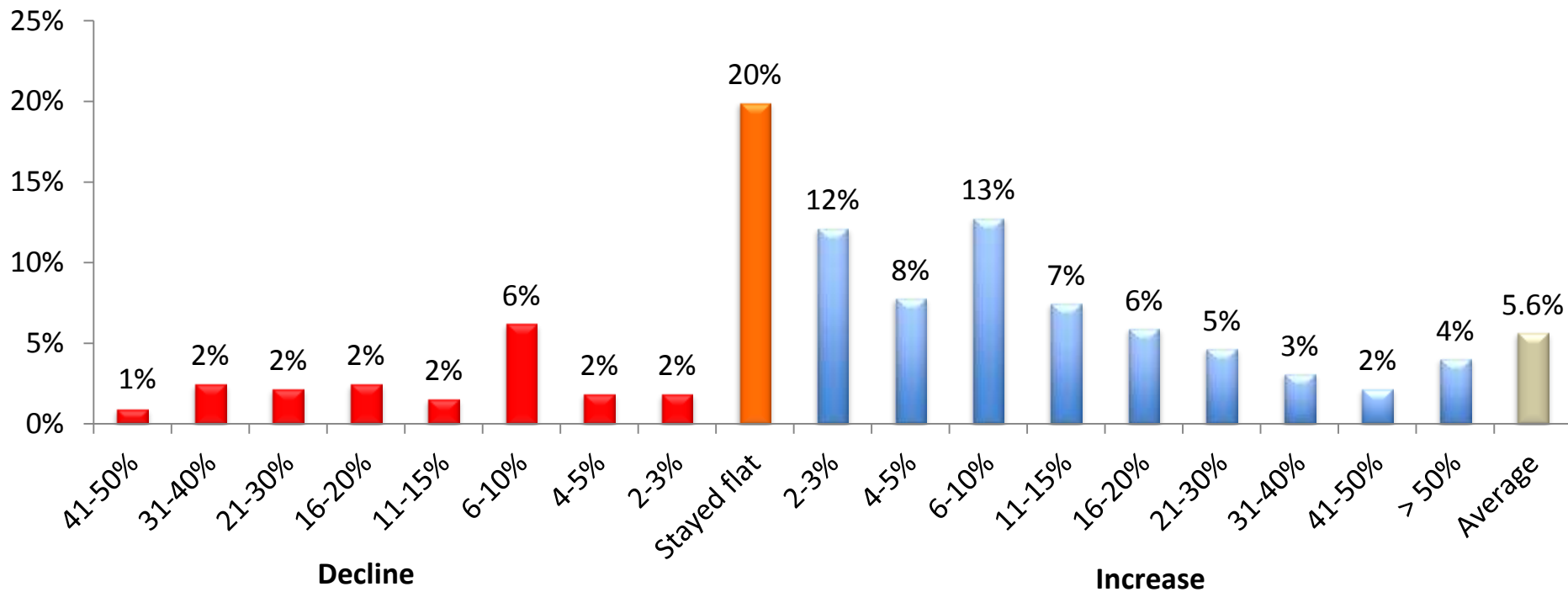
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS: WHOLE SAMPLE



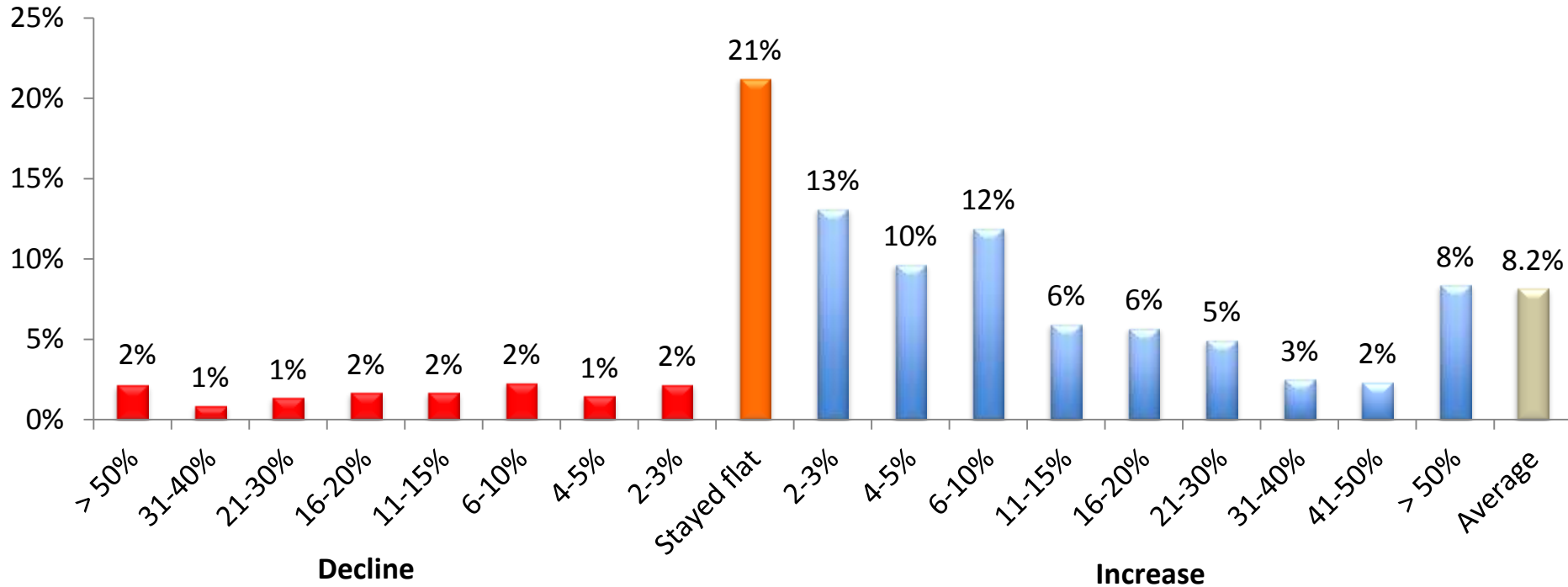
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS : REVENUES UNDER \$5M



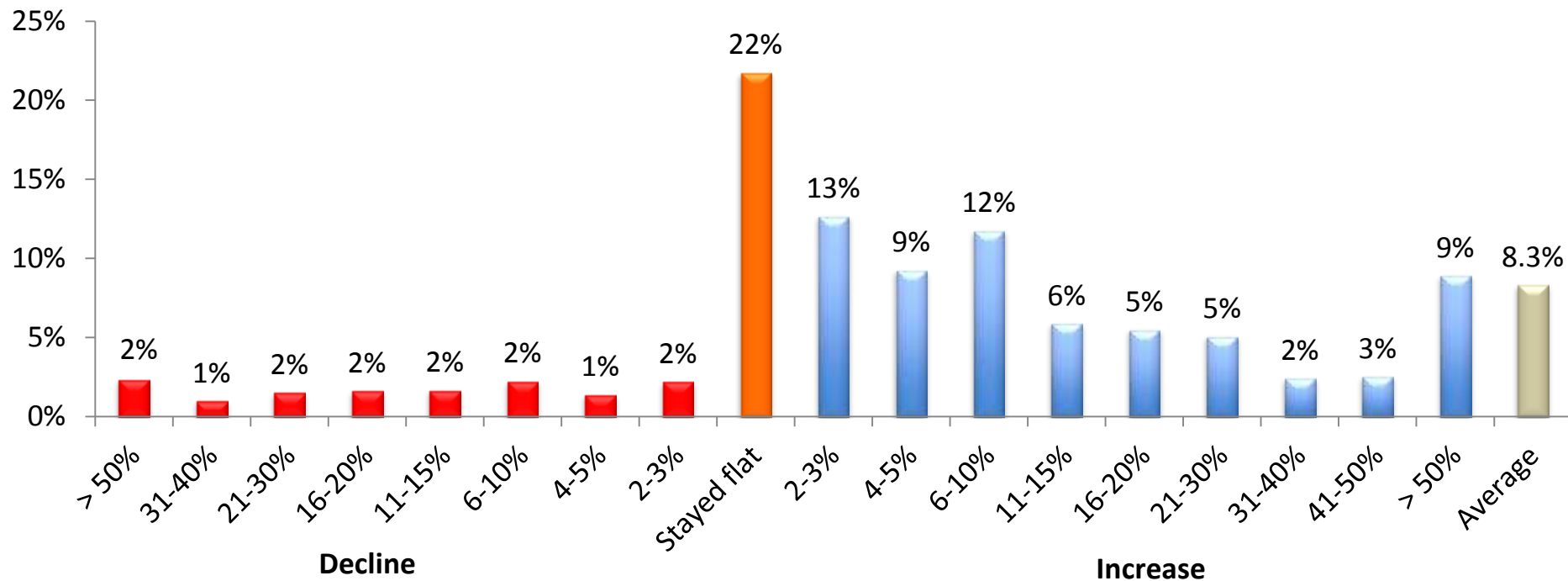
ANNUAL REVENUES CHANGE FOR LAST 12 MONTHS : REVENUES FROM \$5M TO \$100M



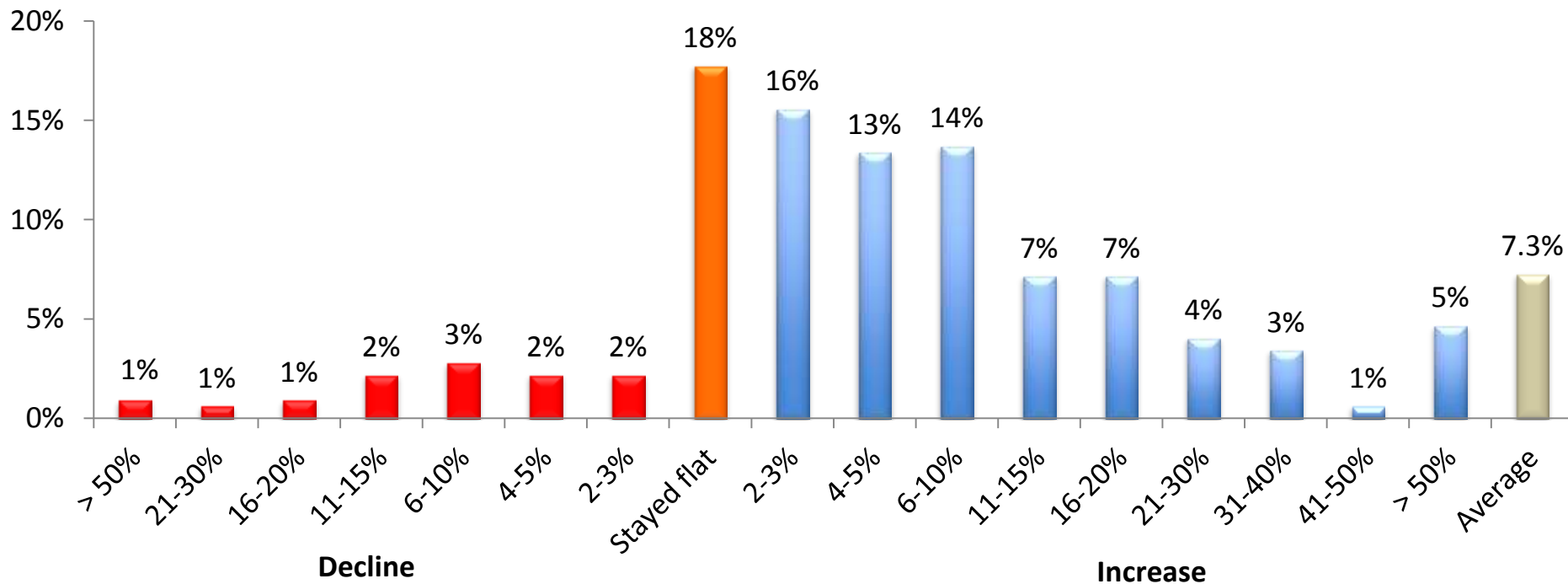
ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): WHOLE SAMPLE



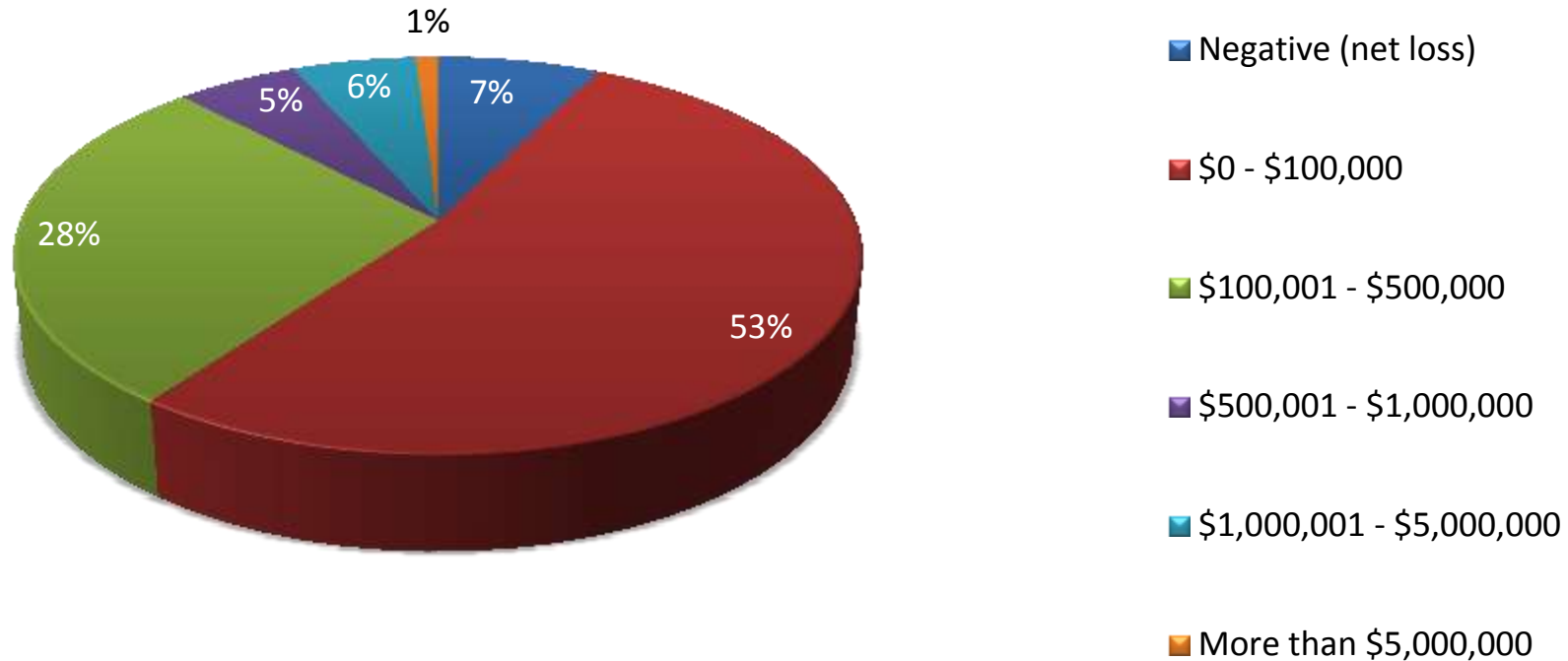
ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): REVENUES UNDER \$5M



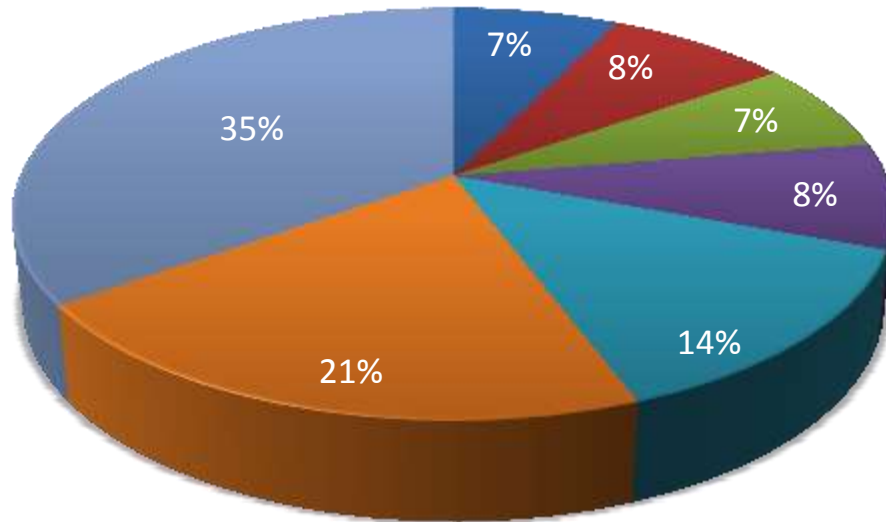
ANNUAL REVENUE CHANGE EXPECTATIONS (NEXT 12 MONTHS): REVENUES \$5M TO \$100M



DETAILS ABOUT THE RESPONDENTS ANNUAL INCOME

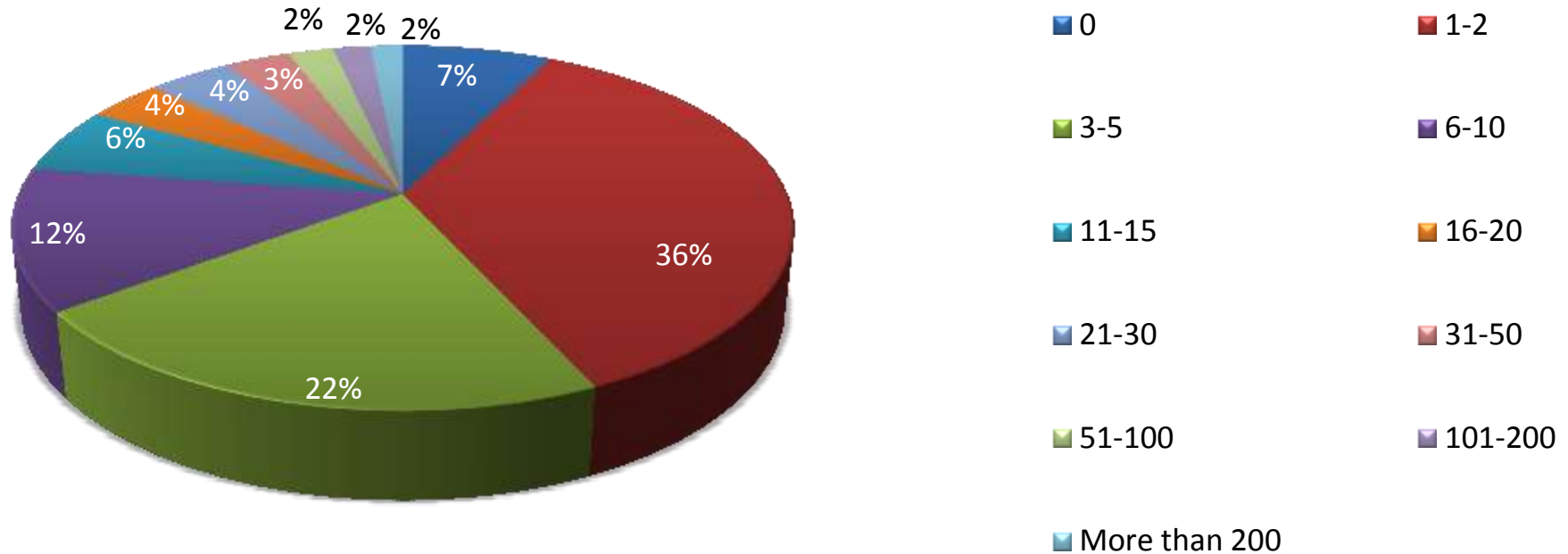


DETAILS ABOUT THE RESPONDENTS FIRM AGE



- Less than 1 year
- At least 1 but less than 2
- At least 2 but less than 3
- At least 3 but less than 5
- At least 5 but less than 10
- At least 10 but less than 20
- 20 or more

DETAILS ABOUT THE RESPONDENTS NUMBER OF EMPLOYEES



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>.

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/>.

Thank You

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