

Economic Indicator — September 10, 2024

## Small Business Optimism Takes a Step Back in August

### A Weakening Labor Market and Economic Uncertainty Dim Outlooks

#### Summary

#### Small Business Inflation Is Receding, But So Is Labor Market Health

Small business owners appear to be more preoccupied with worsening labor market conditions and dimming sales outlooks than they are looking forward to incoming rate cuts. The NFIB Small Business Optimism Index dropped to 91.2 in August, completely erasing July's gain and taking some shine out of the prior four-month upswing. As nonfarm payrolls continue to show a moderation in hiring, hiring plans trended lower and the net share of small businesses actually adding headcounts reached its lowest reading in two years. The uncertainty index also continued to climb as firms face an uncertain public policy landscape post-November. On the bright side, inflation's descent appears intact. The share of small businesses raising selling prices in August reached its lowest level since January 2021.

Economist(s)

#### Charlie Dougherty

Senior Economist | Wells Fargo Economics  
Charles.Dougherty@wellsfargo.com | 212-214-8984

#### Jackie Benson

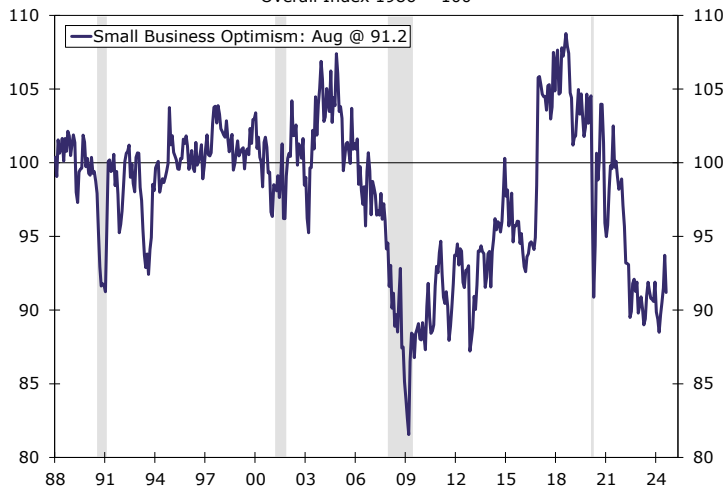
Economist | Wells Fargo Economics  
Jackie.Benson@wellsfargo.com | 704-410-4468

#### Ali Hajibeigi

Economic Analyst | Wells Fargo Economics  
Ali.Hajibeigi@wellsfargo.com | 212-214-8253

#### NFIB Small Business Optimism

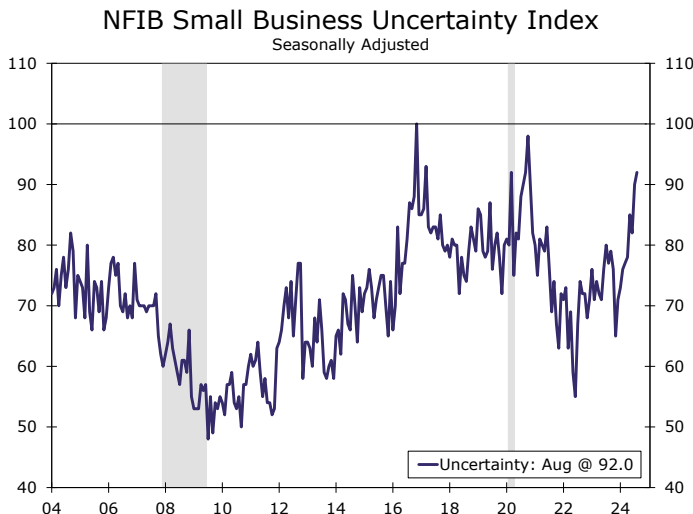
Overall Index 1986 = 100



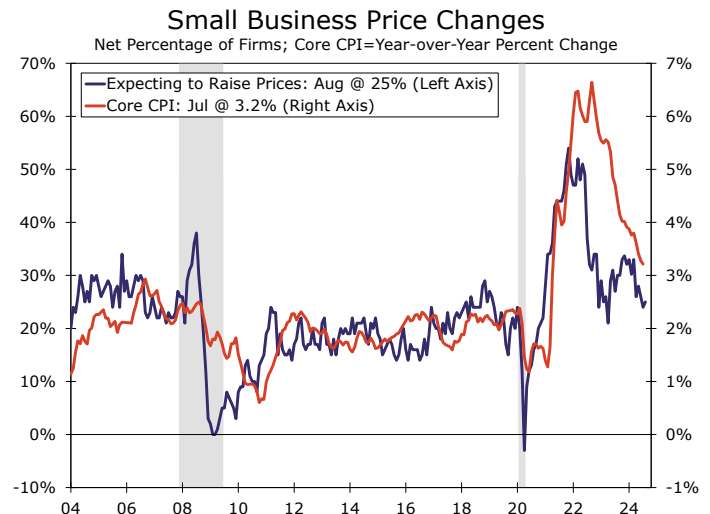
Source: NFIB and Wells Fargo Securities

### Optimism Back on the Decline

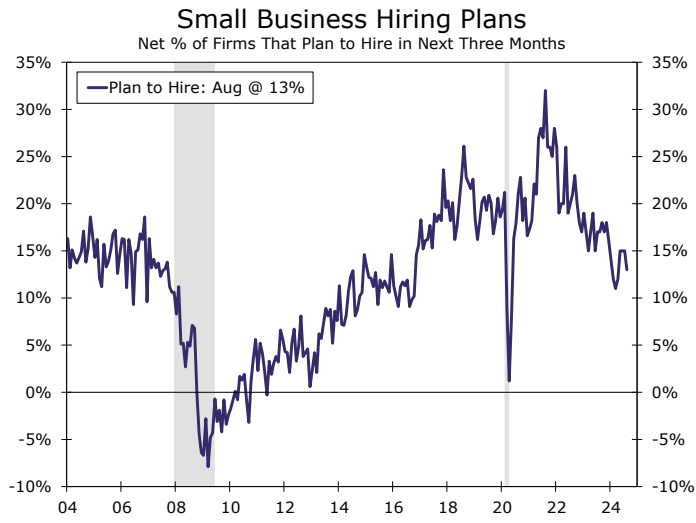
- The NFIB Small Business Optimism Index slid 2.5 points in August to 91.2. This drop completely erased July's gain and takes some shine out of the prior four-month upswing.
- The only two subcomponents to improve over the month were capex plans, which remain below pre-pandemic levels, and job openings, which continue to trend lower through the monthly noise.
- Hiring plans in the NFIB survey continue to echo the downtrend in nonfarm payrolls. A net 13% of firms planned to add headcounts in August, down two points from July. Perhaps more instructive, reports of actual hiring slid to its lowest reading in two years as job openings remained on a downward path.
- As we get closer to the elections in November, uncertainty around future public policy also appeared to dent small business confidence. The uncertainty index, which tracks the number of firms answering "don't know" or "uncertain" to at least six questions, leaped to its highest level since the pandemic era in October 2020. The outlook for business conditions over the next six months fell in kind, partially erasing the leap in July.
- Lower earnings was another factor sapping sentiment in August. The net percent of owners reporting an increase in earnings relative to the prior quarter plummeted to -37%, the lowest share since March 2010. Sales expectations followed suit, sliding 9 points to tie March for the lowest reading in more than a year.
- Trends in small business compensation remain broadly consistent with a gradual decline in inflation. The net share of firms raising compensation, which held at 33% in August, has trended lower over the course of the year, while compensation plans have been mostly flat.
- Disinflationary momentum was also evident in reported price changes. Plans to raise selling prices ticked up slightly but were five points lower than in August 2023. Furthermore, the net percent of firms actually raising prices in August dropped for the second consecutive month to 20%, its lowest share since January 2021.



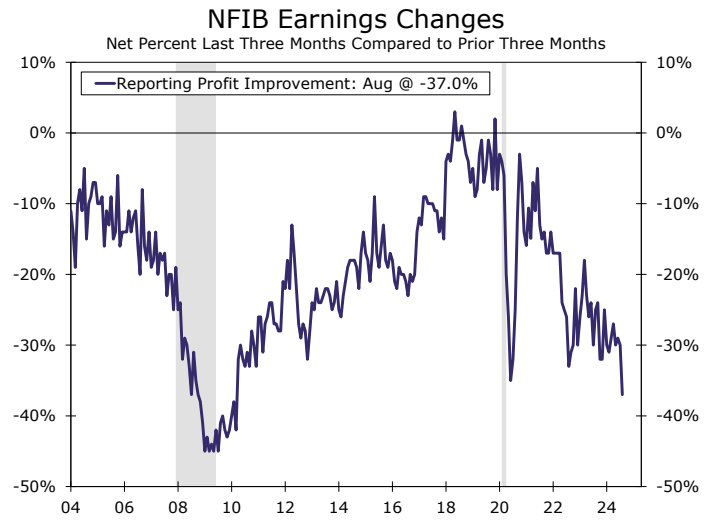
Source: NFIB and Wells Fargo Economics



Source: NFIB, U.S. Department of Labor and Wells Fargo Economics



Source: NFIB and Wells Fargo Economics



Source: NFIB and Wells Fargo Economics

**Subscription Information**

To subscribe please visit: [www.wellsfargo.com/economicsemail](http://www.wellsfargo.com/economicsemail)

Via The Bloomberg Professional Services at WFRE

**Economics Group**

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

## Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company. © 2024 Wells Fargo Bank, N.A.

### Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE