



Economics Group

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NFIB Small Business Optimism Index Surges in May

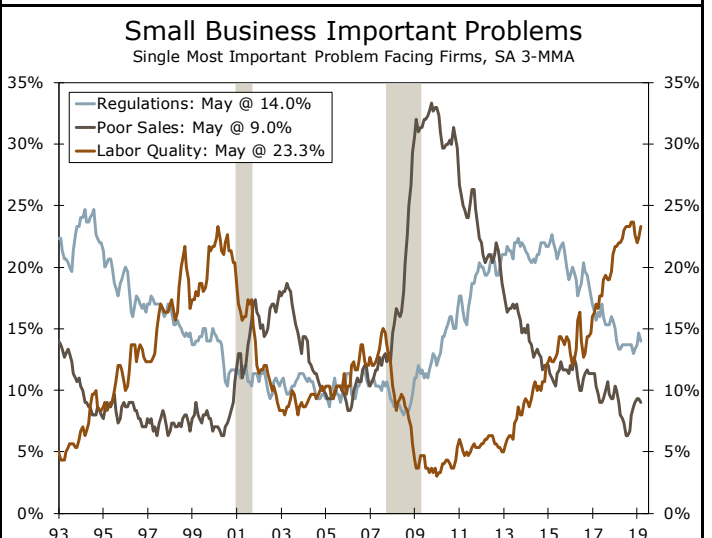
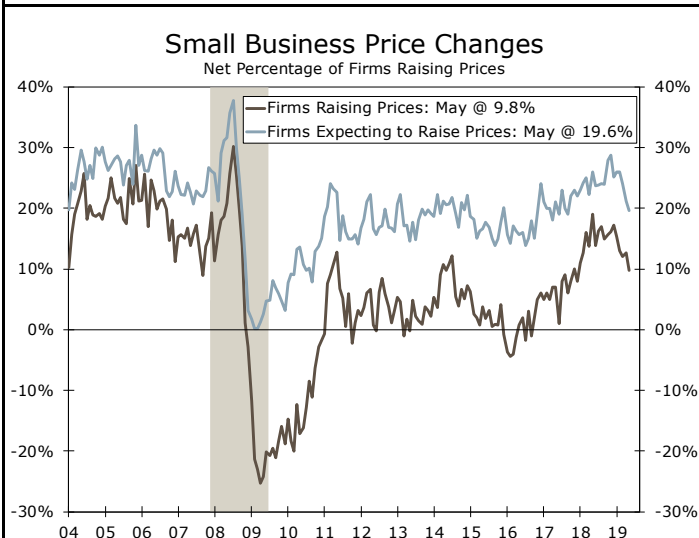
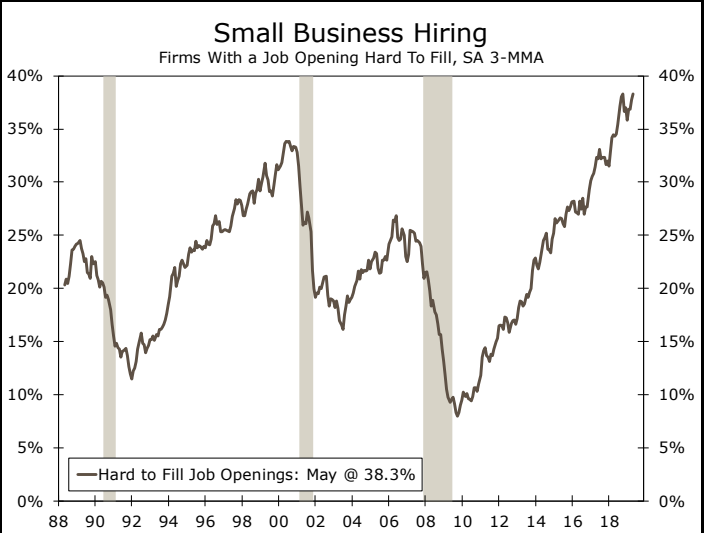
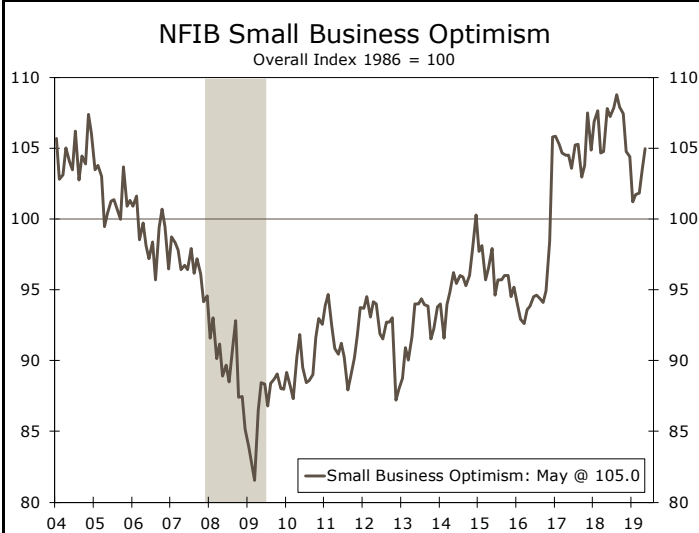
Small business optimism rose to the highest level since October. Capex plans rose, while inflationary pressures fell. The labor market components remain strong, which should allay fears of a broad slowdown in hiring.

Small Businesses Undeterred by Trade Uncertainty

- Small firm confidence rose 1.5 points in May to 105.0. Despite trade uncertainty, owners are confident about future prospects. Notably, 30% of firms plan to increase capital spending outlays, a historically high level and up three points during the month.
- The NFIB noted some further moderation in inflation. The share expecting to raise selling prices fell to only 20%, suggesting slowing demand may be curbing pricing power.

Positive Signs on the Labor Market

- Sixty-two percent of firms reported hiring or trying to hire more employees, a five percentage point rise from a month prior. Small business hiring plans should allay concerns that May's sub-100K nonfarm gain presages a more pronounced slowdown. A net 21% of firms plan to increase employment, up one point from April.
- An estimated 25% of firms cited finding qualified workers as their single most important problem, matching the record high.



Source: National Federation of Independent Business and Wells Fargo Securities

Wells Fargo Securities Economics Group

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